

In the opinion of Faegre & Benson LLP, Bond Counsel, under present laws, regulations, rulings and decisions, interest on the Series 2004A Bonds offered hereby is not included in gross income for federal income tax purposes and is not an item of tax preference included in the computation of the alternative minimum tax imposed on individuals under the Internal Revenue Code, but is required to be included in the calculation of adjusted current earnings to be used in computing corporate alternative minimum taxable income. Bond Counsel is also of the opinion that the interest on the Series 2004A Bonds is exempt from all income taxation by the State of North Dakota under the North Dakota Municipal Bond Bank Act. See "TAX EXEMPTION" herein.

\$11,790,000

**NORTH DAKOTA MUNICIPAL BOND BANK
State Revolving Fund Program Bonds, Series 2004A**

Dated: Delivery Date

Due: October 1, as shown below

Proceeds of the Series 2004A Bonds will be used by the North Dakota Municipal Bond Bank (the "Bond Bank") to refund portions of the North Dakota Municipal Bond Bank State Revolving Fund Program Bonds, Series 2000A (the "Series 2000 Bonds") and pay costs of issuance related to the Series 2004A Bonds.

The State Revolving Fund Program Bonds, Series 2004A (the "Series 2004A Bonds") offered hereby are being issued pursuant to the North Dakota Clean Water State Revolving Fund Act (North Dakota Century Code Chapter 61-28.2), the North Dakota Drinking Water State Revolving Fund Act (North Dakota Century Code Chapter 61-28.1), the North Dakota Municipal Bond Bank Act (North Dakota Century Code Chapter 6-09.4), a Master Trust Indenture dated as of October 1, 1998, as amended, (the "Master Trust Indenture") by and between the North Dakota Municipal Bond Bank and the Bank of North Dakota, as Trustee (the "Trustee"), and a Series Resolution adopted on August 24, 2004 by the Industrial Commission of the State of North Dakota (the "Industrial Commission").

The Series 2004A Bonds will be issued as fully registered bonds without coupons, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as described herein. DTC will act as securities depository of the Series 2004A Bonds. Individual purchases may be made in book-entry form only, in the denomination of \$5,000 and integral multiples thereof for each maturity. Purchasers will not receive certificates representing their interest in the Series 2004A Bonds purchased.

Payments of the principal of and interest on the Series 2004A Bonds will be paid by the Trustee to DTC, which will in turn remit such principal and interest to its participants for subsequent dispersal to beneficial owners of the Series 2004A Bonds. Interest on the Series 2004A Bonds is payable semi-annually on each April 1 and October 1, commencing April 1, 2005.

The Series 2004A Bonds are subject to redemption prior to maturity as described herein.

MATURITY SCHEDULE - \$11,790,000 Bonds

<u>Maturity</u> <u>October 1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity</u> <u>October</u> <u>1</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2005	\$ 30,000	2.00%	1.62%	658896HW8	2014	\$ 935,000	3.75%	3.58%	658896JF3
2006	80,000	2.00%	1.85%	658896HX6	2015	970,000	4.50%	3.73%	658896JG1
2007	85,000	2.25%	2.11%	658896HY4	2016	1,010,000	4.75%	3.83%	658896JH9
2008	85,000	2.50%	2.41%	658896HZ1	2017	1,060,000	4.75%	3.92%	658896JJ5
2009	85,000	3.00%	2.74%	658896JA4	2018	1,110,000	4.75%	4.01%	658896JK2
2010	90,000	3.00%	2.96%	658896JB2	2019	1,160,000	4.75%	4.10%	658896JL0
2011	835,000	3.50%	3.14%	658896JC0	2020	1,215,000	4.75%	4.19%	658896JM8
2012	870,000	3.50%	3.30%	658896JD8	2021	1,275,000	4.75%	4.28%	658896JN6
2013	895,000	3.75%	3.45%	658896JE6					

The Series 2004A Bonds are obligations of the Bond Bank payable primarily from specific revenues and funds pledged therefor under the Master Trust Indenture and a Series Resolution as described herein. The Bond Bank has no taxing power. The Series 2004A Bonds are not in any way a debt or liability of the State of North Dakota, the Industrial Commission or of any political subdivision of the State, except as described herein. See "Sources of Payment and Security" herein.

The Series 2004A Bonds are offered, subject to prior sale, when, as and if accepted by UBS Financial Services Inc., the Underwriter, and subject to an opinion as to validity and tax exemption by Faegre & Benson LLP, Minneapolis, Minnesota, as Bond Counsel. Certain legal matters will be passed upon for the Bond Bank by its counsel, the Attorney General of the State of North Dakota and certain legal matters will be passed upon for the Underwriter by its counsel, Briggs and Morgan, Professional Association, Minneapolis and St. Paul, Minnesota. It is anticipated that the Series 2004A Bonds in definitive form will be available for delivery at DTC in New York, New York on or about October 5, 2004.

UBS Financial Services Inc.

The date of this Official Statement is September 23, 2004.

THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO, AND SHOULD NOT BE RELIED ON IN CONNECTION WITH, ANY PURCHASE OR SALE OF BONDS OTHER THAN THE INITIAL OFFERING OF THE SERIES 2004A BONDS.

No dealer, broker, salesperson or other person has been authorized by the North Dakota Municipal Bond Bank, the Financial Advisor or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the North Dakota Municipal Bond Bank, the Financial Advisor or the Underwriter.

This Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there be any sale of the Series 2004A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information contained in this Official Statement has been furnished by the North Dakota Municipal Bond Bank, the various Borrowers and other sources which the North Dakota Municipal Bond Bank believes to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the North Dakota Municipal Bond Bank since the date thereof. Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The preliminary version of the Official Statement should not be relied upon after the time that the Official Statement is available in final form, which final Official Statement should be reviewed in its entirety for changed, completed and supplemented information.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2004A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION OR QUALIFICATION OF THESE SECURITIES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SECURITIES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven	Governor, Chairman of the Commission
Wayne Stenehjem	Attorney General, Member
Roger Johnson	Agriculture Commissioner, Member
Karlene Fine	Executive Director and Secretary

ISSUER

North Dakota Municipal Bond Bank

Tim Porter	Executive Director
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North Dakota Department of Health

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David Bruschwein	Environmental Engineer

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ARBITRAGE/VERIFICATION SERVICES

Berens-Tate Consulting Group
Omaha, Nebraska

TRUSTEE/PAYING AGENT

Bank of North Dakota
Bismarck, North Dakota

INTRODUCTION TO THE OFFICIAL STATEMENT

*The following information is furnished solely to provide limited introductory information regarding the North Dakota Municipal Bond Bank's (the "Bond Bank") \$11,790,000 State Revolving Fund Program Bonds, Series 2004A (the "Series 2004A Bonds") and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto. **Each prospective investor in the Series 2004A Bonds is encouraged to read this Official Statement in its entirety.***

- Issuer:** The North Dakota Municipal Bond Bank.
- Purpose:** Proceeds of the Series 2004A Bonds will be used by the Bond Bank to (i) refund portions of the Series 2000 Bonds as described herein; and (ii) pay costs of issuance related to the Series 2004A Bonds.
- Master Trust Indenture:** These purposes are effected through a Master Trust Indenture dated as of October 1, 1998, as amended (the "Master Trust Indenture") which contains within it two revolving funds – the Clean Water State Revolving Fund (the "Clean Water SRF") to finance water pollution control projects under the Federal Clean Water Act and the Drinking Water State Revolving Fund (the "Drinking Water SRF") to finance drinking water projects under the Federal Safe Drinking Water Act.
- Security:** The sources of payment and security for the Series 2004A Bonds are the revenues derived from certain payments of principal of and interest on the Municipal Securities evidencing the Loans to be made with federal capitalization grants (the "Capitalization Grants") and proceeds of the sale of the Series 2004A Bonds and other obligations heretofore or hereafter issued under the Master Trust Indenture, amounts on deposit in certain funds and accounts established under the Master Trust Indenture and earnings thereon. In addition, in the event that either of the required Reserve Funds do not aggregate the applicable Reserve Requirements, the Executive Director of the Bond Bank shall notify the Industrial Commission of North Dakota, and the Industrial Commission shall transfer other funds or certify a request for an appropriation to the Legislative Assembly in order to restore such Reserve Fund to the Reserve Requirements. No assurance can be made that the Legislative Assembly will appropriate such funds if requested, or if appropriated, that such moneys can be applied in time to prevent default.
- In general, money to pay debt service on the Series 2004A Bonds is drawn from resources available under the Clean Water SRF. See "Sources of Payment and Security" herein.

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Sources For Repayment:	<p>The Master Indenture in effect divides each payment of principal of and interest on the Bonds of each Series into a “Clean Water Portion” and a “Drinking Water Portion” and then subdivides both the Clean Water Portion and the Drinking Water Portion into a State Match Portion and a Leveraged Portion.</p> <p>Based on the expected application of proceeds of the Series 2004A Bonds, 100% of the debt service on the Series 2004A Bonds is the Clean Water Portion payable from the Clean Water SRF on a parity with the other debt service obligations of the Clean Water SRF. Approximately 17% of the debt service on the Clean Water Portion is the State Match Portion, with the balance of the Clean Water Portion allocated to the Leveraged Portion. These different portions of each Bond are payable only from certain portions of the revenues available for the payment of debt service on the Bonds.</p> <p>Generally the Clean Water Portion is payable solely from revenues of the Clean Water SRF and the Drinking Water Portion from revenues of the Drinking Water SRF. Only revenues constituting interest earnings on proceeds of Capitalization Grants and interest payable on the Loans can be used to pay debt service on the State Match Portion.</p> <p>In the event amounts available in the Clean Water SRF or the Drinking Water SRF are insufficient to pay its respective portion of principal of or interest on Bonds then due and payable, the Trustee must transfer an amount sufficient to remedy such deficiency, if available, from certain permitted accounts of the other State Revolving Fund.</p>
Optional Redemption:	The Series 2004A Bonds maturing before October 1, 2014 are not subject to redemption prior to their respective maturities. The Series 2004A Bonds maturing on or after October 1, 2015 are subject to redemption and prior payment at the option of the Bond Bank on October 1, 2014 and on any date thereafter in whole or in part in such amounts and from such maturities as the Bond Bank may determine and by lot within a maturity at the redemption price of par.
Denominations:	\$5,000 or integral multiples thereof.
Book-Entry Only:	The Series 2004A Bonds will be issued as book-entry-only securities through The Depository Trust Company.
Regular Record Date:	The 15th day of the month preceding the payment date.
Principal Payments:	Annually, commencing October 1, 2005 and concluding October 1, 2021.
Interest Payments:	Semiannually on April 1 and October 1, commencing April 1, 2005.
Additional Bonds:	The Master Trust Indenture permits the issuance of Additional Bonds secured on a parity with the Series 2004A Bonds and other Bonds previously and subsequently issued pursuant to the Master Trust Indenture, upon compliance with the requirements of the Master Trust Indenture. Additional Bonds may be issued if during each year that the Bonds to be issued are scheduled to be Outstanding, Projected Revenue will be at least 120% of the principal and interest due in such year on all the Outstanding and to be issued Bonds. See “Source of Payment and Security – Additional Bonds” herein.
Tax Status:	Exempt from federal income taxation and State of North Dakota income taxation as set forth in “Tax Exemption” herein. The Series 2004A Bonds will not be designated Qualified Tax-Exempt Obligations within the meaning of Section 265(b)(3) of the Internal Revenue Code.

Professional Consultants:	<i>Financial Advisor:</i>	Public Financial Management, Inc. Minneapolis, Minnesota
	<i>Bond Counsel:</i>	Faegre & Benson LLP Minneapolis, Minnesota
	<i>Underwriter:</i>	UBS Financial Services Inc. New York, New York
	<i>Underwriter's Counsel:</i>	Briggs and Morgan, Professional Association Minneapolis and St. Paul, Minnesota
	<i>Trustee/Paying Agent:</i>	Bank of North Dakota Bismarck, North Dakota
	<i>Verification/Arbitrage Services:</i>	Berens-Tate Consulting Group Omaha, Nebraska

Legal Matters: Legal matters incident to the authorization and issuance of the Series 2004A Bonds are subject to the opinion of Faegre & Benson LLP, Bond Counsel, as to validity and tax exemption. The opinion will be substantially in the form set forth in Appendix D attached hereto. Certain legal matters will be passed upon for the Bond Bank by its counsel, the Attorney General of the State of North Dakota, and certain legal matters will be passed upon for UBS Financial Services Inc. by its counsel Briggs and Morgan, Professional Association, as Underwriter's Counsel. Bond Counsel has not participated in the preparation of this Official Statement except for information under the headings "Description of the Series 2004A Bonds", "Summary of Certain Provisions of the Master Trust Indenture", "Summary of Loan Agreements", "Tax Exemption" and "Legal Matters."

Authority for Issuance: The Series 2004A Bonds are issued pursuant to the North Dakota Clean Water State Revolving Fund Act (North Dakota Century Code Chapter 61-28.2), the North Dakota Drinking Water State Revolving Fund Act (North Dakota Century Code Chapter 61-28.1), the North Dakota Municipal Bond Bank Act (North Dakota Century Code Chapter 6-09.4), the Master Trust Indenture and a Series Resolution adopted by the Industrial Commission of the State of North Dakota on August 24, 2004 (the "2004A Series Resolution").

Conditions Affecting Issuance of Bonds: The Series 2004A Bonds are offered when, as and if issued, subject to, among other conditions, the approving legal opinion of Faegre & Benson LLP.

Delivery: Expected on or about October 5, 2004.

No Litigation: There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2004A Bonds, or prohibiting the Bond Bank from making Loans to political subdivisions of the State of North Dakota and certain other entities (the "Borrowers") or purchasing certain obligations of the Borrowers ("Municipal Securities") with the proceeds of Bonds, or in any way contesting or affecting the validity or tax exemption of any Series 2004A Bonds or any proceedings of the North Dakota Department of Health (the "Department"), the Bond Bank or the Industrial Commission taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security provided for the payment of the Series 2004A Bonds or the existence or necessary powers of the Department, the Bond Bank or the Industrial Commission or the exemption of the income of the Bond Bank from state or federal income taxes.

Continuing Disclosure: The Bond Bank has agreed with the Bondholders to provide ongoing disclosure of certain information. See "Description of the Series 2004A Bonds - Continuing Disclosure" herein.

Additional Information:

Questions regarding the Series 2004A Bonds or the Official Statement can be directed to and additional copies of the Official Statement may be obtained from Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402, (612/338-3535), the North Dakota Municipal Bond Bank, 700 East Main Avenue, Bismarck, North Dakota 58501 (701/328-7100); or UBS Financial Services Inc., 1285 Avenue of the Americas, New York, New York 10019, (212/713-2880).

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OFFICIAL STATEMENT

\$11,790,000

NORTH DAKOTA MUNICIPAL BOND BANK State Revolving Fund Program Bonds, Series 2004A

INTRODUCTORY STATEMENT

All capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in the Master Trust Indenture.

The Legislative Assembly of the State of North Dakota has established a revolving loan fund (the "Clean Water State Revolving Fund" or "Clean Water SRF") pursuant to Chapter 61-28.2, North Dakota Century Code (the "CWSRF Act") to be maintained and operated by the North Dakota Department of Health (the "Department") to provide for loans for the planning, design, construction and rehabilitation of wastewater treatment facilities and certain other activities in accordance with Title VI of the Clean Water Act (the "Clean Water Program"). Additionally, the Legislative Assembly of the State of North Dakota has established a revolving loan fund (the "Drinking Water State Revolving Fund" or "Drinking Water SRF") pursuant to Chapter 61-28.1, North Dakota Century Code (the "DWSRF Act") to be maintained by the Department to provide loans for expenditures on public water systems which facilitate compliance with national primary drinking water regulations or otherwise significantly further the health objectives of the Safe Drinking Water Act (the "Drinking Water Program"). The Clean Water State Revolving Fund and the Drinking Water State Revolving Fund are collectively referred to herein as the "State Revolving Funds". The Clean Water Program and the Drinking Water Program are collectively referred to herein as the "State Revolving Fund Programs" or "Programs".

This Official Statement sets forth information concerning the issuance by the North Dakota Municipal Bond Bank (the "Bond Bank") of a series of its North Dakota Municipal Bond Bank State Revolving Fund Program Bonds designated as Series 2004A. The Series 2004A Bonds mature on the dates and in the amounts as set forth on the cover of this Official Statement and contain other terms as set forth herein. See "Description of the Series 2004A Bonds" herein. The Series 2004A Bonds are issued pursuant to and secured by a Master Trust Indenture (the "Master Trust Indenture"), dated as of October 1, 1998 and amended as of September 1, 2000, by and between the Bond Bank and the Bank of North Dakota, as Trustee (the "Trustee"). The Bond Bank had previously provided financing for the Clean Water Program and Drinking Water Program through the issuance of Bonds. The Master Trust Indenture amends and restates the prior indentures and provides for financing of the Clean Water Program and the Drinking Water Program. The Series 2004A Bonds and all other Bonds heretofore or hereafter issued pursuant to the prior indentures or the Master Trust Indenture are herein referred to as the "Bonds" and are now secured by the Master Trust Indenture.

Pursuant to the CWSRF Act and the DWSRF Act, the Department may apply for federal capitalization grants (the "Capitalization Grants") and use the proceeds to fund loans, establish reserves or for other purposes permitted under such Acts. As a condition to the receipt of Capitalization Grants, the State of North Dakota (the "State") is required to provide matching funds (the "State Match") equal to twenty percent (20%) of each Capitalization Grant. The Department has applied for and been awarded Capitalization Grants for the Clean Water Program for federal fiscal years 1989 through 2003 and has applied for and been awarded Capitalization Grants for the Drinking Water Program for federal fiscal years 1997 through 2003. The Department has applied for the 2004 Drinking Water Capitalization Grant, but it will not be awarded until Federal Fiscal Year 2005. The Department intends to apply for the 2004 Clean Water Capitalization Grant. The Department also intends to apply for the 2005 Clean Water Capitalization Grant and the 2005 Drinking Water Capitalization Grant, if such amounts are funded by the Federal Government. See "North Dakota State Revolving Funds - Federal Capitalization Grants" herein. The Bond Bank funds the required State Match from Bond proceeds.

The Department and the Bond Bank have entered into administrative agreements (the "Administrative Agreements"), dated as of September 15, 1990 for the Clean Water Program and June 23, 1997 for the Drinking Water Program, whereby the Bond Bank has agreed to provide financial services to assist in the implementation of the State

Revolving Fund Programs. Capitalization Grants received by the Department pursuant to the Federal Water Pollution Control Act of 1972, as amended by the Water Quality Control Act of 1987 (the “Clean Water Act”) and the Federal Safe Drinking Water Act of 1974, as amended by the Safe Drinking Water Act Amendments of 1996 (the “Drinking Water Act”), are to be deposited in certain separate designated accounts under the Master Trust Indenture constituting the State Revolving Funds and used, together with Bond proceeds as described herein, to make loans (the “Loans”) to political subdivisions or other entities (the “Borrowers”) eligible to receive Loans under the CWSRF Act or the DWSRF Act or to secure Bonds. The Bonds to be issued from time to time under the Master Trust Indenture are to provide funds for Loans under the Programs and to provide for reserves and costs of issuance. Additional loans will be made from the proceeds of the Capitalization Grants and other funds available under the Programs. The Loans will be evidenced through loan agreements (the “Loan Agreements”) and municipal securities (the “Municipal Securities”) issued by the Borrowers and purchased by the Bond Bank. Information pertaining to certain Borrowers which have issued or are expected to issue Municipal Securities to the Bond Bank which constitute 10% or more of the total loan balance of both State Revolving Fund Programs is set forth in Appendix A.

The Bond Bank has previously provided financing for the Clean Water Program pursuant to the Clean Water Indenture through the issuance of its State Revolving Fund Program Bonds, Series 1990 (which have been subsequently defeased), its State Revolving Fund Program Bonds, Series 1993 (the “Series 1993 Bonds”) (a portion of which have been subsequently defeased), its State Revolving Fund Program Bonds, Series 1995 (the “Series 1995 Bonds”) (a portion of which have been subsequently defeased), and its State Revolving Fund Program Bonds, Series 1996 (the “Series 1996 Bonds”) (a portion of which have been subsequently defeased). Subsequently, the Bond Bank determined it to be desirable to finance the Clean Water Program and the Drinking Water Program on a consolidated basis such that, while debt service obligations related to the Clean Water Program are to be payable primarily from the Clean Water SRF and debt service obligations related to the Drinking Water Program are to be payable primarily from the Drinking Water SRF, certain excess revenues of each State Revolving Fund are to be available on a subordinate basis to the other State Revolving Fund to the extent necessary to meet any deficiencies with respect to the payment of principal of or interest on Bonds. Under the consolidation effected by the Master Trust Indenture, the Bond Bank provided financing for both the Clean Water Program and Drinking Water Program through the issuance of its State Revolving Fund Program Bonds, Series 1998A (the “Series 1998 Bonds”), its State Revolving Fund Program Bonds, Series 2001A (the “Series 2001 Bonds”), its State Revolving Fund Program Bonds, Series 2003A (the “Series 2003A Bonds”) and financing for only the Clean Water Program through the issuance of its State Revolving Fund Program Bonds, Series 2000A (the “Series 2000 Bonds”), and its State Revolving Fund Program Bonds, Series 2003B (the “Series 2003B Bonds”). The outstanding Series 1993 Bonds, Series 1995 Bonds, Series 1996 Bonds, Series 2000 Bonds, Series 2003B Bonds and the Clean Water Portion of the Series 1998 Bonds, Series 2001 Bonds and Series 2003A Bonds may be collectively referred to as the “Outstanding Clean Water Bonds”. The Drinking Water Portion of the Series 1998 Bonds, Series 2001 Bonds and Series 2003A Bonds may be collectively referred to as the “Outstanding Drinking Water Bonds”. See “The North Dakota Municipal Bond Bank – Outstanding Debt of the State Revolving Fund Program” herein.

As a result of certain federal restrictions on the use of particular funds in the State Revolving Funds, the Master Trust Indenture in effect divides each payment of principal of and interest on the Bonds of each series into a “Clean Water Portion” and a “Drinking Water Portion” in proportion to the amount of proceeds of the series of Bonds deposited in the Clean Water SRF and the Drinking Water SRF, respectively, and then subdivides both the Clean Water Portion and the Drinking Water Portion into a State Match Portion and Leveraged Portion in proportion to the amounts of Bond proceeds allocated to such State Revolving Fund which are deposited in the State Match Loan Account and Leveraged Loan Account, respectively, of such Fund. Accordingly, each payment of principal and interest on each series of Bonds may have a “Clean Water State Match Portion”, a “Drinking Water State Match Portion,” a “Clean Water Leveraged Portion” and a “Drinking Water Leveraged Portion”.

Additionally, as a result of certain federal restrictions, the Master Indenture also divides revenues into different categories corresponding to permitted uses and priority of uses. Thus, the different portions of Bonds may be payable from only certain portions of the revenues deposited under the Master Trust Indenture, or the use of certain portions of the revenues may be subject to certain conditions or priorities.

The Leveraged Portions and the State Match Portions of debt service are payable from certain monies deposited in specified funds and accounts held by the Trustee under the Master Trust Indenture within each of the Clean Water SRF and the Drinking Water SRF. Interest payments on the Municipal Securities and interest earnings on invested funds within each of the Clean Water SRF and Drinking Water SRF are generally available to pay both the State Match Portions and the Leveraged Portions. Only interest earnings on the Capitalization Grants deposited into the Federally Capitalized Loan Account and interest payments on the Municipal Securities may be used for the payment of the State Match Portions. The Series 2004A Bonds and the Municipal Securities have been structured in such a manner that estimated payments on the Municipal Securities and estimated interest earnings on the various funds will be sufficient to pay both the Leveraged Portions and the State Match Portions of the Series 2004A Bonds and other outstanding Bonds when due and to provide a minimum of 120% debt service coverage. There can be no assurance, however, that estimated payments will be realized.

The Bonds are issued under authority of the CWSRF Act, the DWSRF Act and the North Dakota Municipal Bond Bank Act, North Dakota Century Code Chapter 609.4 (the “Bond Bank Act”). The Industrial Commission, the agency of the State having authority over all matters pertaining to the Bond Bank, including the issuance of bonds, has authorized the issuance of the Series 2004A Bonds. The Bonds are obligations of the Bond Bank payable primarily from the revenues and funds and accounts hereinafter described and are not a debt or liability of the State or secured by the full faith and credit or taxing powers of the State. The Bond Bank has other programs whose assets and revenues are not pledged to payment of the Series 2004A Bonds. See “Sources of Payment and Security,” “Summary of Certain Provisions of the Master Trust Indenture” and “The Industrial Commission of North Dakota” herein.

The Bond Bank is an instrumentality of the State, operated, managed and controlled by the Industrial Commission. The Bonds do not constitute a debt of the Industrial Commission and are not secured by or payable from any assets of the Industrial Commission. See “The North Dakota Municipal Bond Bank” herein.

NORTH DAKOTA STATE REVOLVING FUNDS

General

The Clean Water Program was created by the State in 1990 to implement provisions of the Clean Water Act. The Clean Water Act authorized the U.S. Environmental Protection Agency (the “EPA”) to make Capitalization Grants to states for the purpose of establishing water pollution revolving funds to be used, among other things, in financing the construction of wastewater treatment facilities and certain other activities. The Clean Water State Revolving Fund created under the Clean Water Program satisfies the criteria of the Clean Water Act and entitles North Dakota to receive Capitalization Grants from the EPA for wastewater treatment facility construction and certain other activities. The Clean Water State Revolving Fund has been and may be funded with proceeds of Capitalization Grants from the EPA through the Automated Clearing House Payment System (see “Sources of Funds for Loans” herein), proceeds of Bonds issued by the Bond Bank under the Master Trust Indenture, and loan repayments received pursuant to the Municipal Securities.

The Drinking Water Program was created by the State in 1997 to implement provisions of the Drinking Water Act. The Drinking Water Act authorized the EPA to make Capitalization Grants to states for the purpose of establishing drinking water revolving funds to be used, among other things, for improvements to public water systems which facilitate compliance with national primary drinking water regulations and certain other activities. The Drinking Water State Revolving Fund created under the Drinking Water Program satisfies the criteria of the Drinking Water Act and entitles North Dakota to receive Capitalization Grants from the EPA for public water system projects and certain other activities. The Drinking Water State Revolving Fund has been and may be funded with proceeds of Capitalization Grants from the EPA through the Automated Clearing House Payment System, proceeds of Bonds issued by the Bond Bank under the Master Trust Indenture, and loan repayments received pursuant to the Municipal Securities.

The Programs are jointly administered by the Bond Bank and the Department under the respective Administrative Agreements. The Bond Bank is responsible for reviewing and assessing the financial capacity of Borrowers in connection with Loan applications, arranging financing for Program activities and accounting for the Loans, their repayments and investment of Program funds. The Department is responsible for the ongoing operation of the Programs, monitoring construction progress of wastewater treatment and drinking water facilities financed by the Programs and evaluating Loan applications made by prospective Borrowers for compliance with requirements of the Clean Water Act, the Drinking Water Act, the CWSRF Act and the DWSRF Act. In addition, under the DWSRF Act, the Department is required to obtain the approval of the State Water Commission with respect to the administration and disbursement of funds.

Loans

The Bond Bank and each Borrower obtaining a Loan under the State Revolving Fund Programs will enter into a Loan Agreement wherein the Bond Bank agrees to purchase certain Municipal Securities and the Borrowers agree to pay certain costs, and to comply with certain covenants with respect to the Municipal Securities. Pursuant to the Loan Agreements the Bond Bank will agree to purchase specified Municipal Securities, and the Borrowers will agree to pay certain amounts, including administrative fees, as long as the Bond Bank is the owner of the Municipal Securities. The Loan Agreements also may contain certain covenants relating to the tax-exempt status of interest on the Municipal Securities and the provision of annual or biennial audited financial statements of the Borrowers.

The Programs provide for Loans to be made from the State Revolving Funds at or below market interest rates and to be fully amortized within twenty (20) years of the date of completion of the project financed. Accordingly, Loan terms may be 21 years or more depending on the anticipated length of the construction period. All Loans must be repaid from a dedicated source of revenue. The interest rate on the Loans may vary. The rate of interest on the Loans to be made from the Loan Fund are currently expected to be made at a fixed rate of 2.5% per annum. Loans previously made under the Program bear interest at rates of 2.5% and 3.0% per annum.

Each Borrower receiving a Loan will be required to enter into a Loan Agreement with the Bond Bank obligating the Borrower to repay the Loan and interest thereon and pay an administrative fee in addition to interest, which administrative fee is currently one-half of one percent annually on the outstanding Loan balance. The Borrowers will evidence their obligations under the Loan Agreements by issuing Municipal Securities which are generally sewer or water revenue obligations, reserve revenue obligations (as hereinafter described) or special assessment obligations which will be purchased by the Bond Bank. Any Loan Agreement relating to Municipal Securities which are payable solely from a Borrower's sewer or water revenues will require that such Borrower maintain sewer or water rates which produce annual net sewer or water revenues after expenses equal to 120% of the Borrower's debt service obligations under the Municipal Securities and under any other sewer or water utility debt ranking on a parity with the Municipal Securities. Such rate covenant will not apply to a Borrower whose Loan is secured by a general obligation pledge or special assessments or to reserve revenue obligations which may be issued by certain home rule cities under which such cities pledge their taxing powers to maintain a reserve for the obligations. There is no assurance that the Borrowers will pay principal of and interest on the Loans when due. Most of the Loans purchased under the Programs are expected to be special assessment obligations payable from assessments levied against the benefited real property or revenue obligations payable solely from the net revenues of particular municipal sewer or water systems. Most of the Loans are not directly payable from tax levies. Since the inception of the State Revolving Fund Programs, no payment of loan principal or interest to the Bond Bank has ever been delinquent.

In the case of Loans to Borrowers which are not governmental units, the form of required security will be based on various considerations, including the form of security required by other lenders on loans to such Borrowers, the nature of the Borrowers' unencumbered assets and other factors. It is generally expected that the Loans will be secured by a mortgage or security interest in some portion of such Borrowers' systems or systems revenues. Currently, all Borrowers are governmental units.

As of April 30, 2004, the total amount of closed loans under the Programs is \$193,452,160 (96.3% of the total loan balance), while the total amount of Loans approved but not closed under the Programs is \$7,472,400 (3.7% of the total loan balance). The grand total of all closed and approved Loans is \$200,924,560. For detailed information regarding closed and approved Loans, see Appendix B – “Clean Water and Drinking Water SRF Loans.” The Bond Bank expects, but is not required, to enter into a Loan Agreement with each Borrower listed in the tables in Appendix B.

Additional Loans

The Department has identified additional qualified projects in its Intended Use Plan for each State Revolving Fund Program. The Bond Bank anticipates making loans in the future to Borrowers shown in the Intended Use Plans and to other Borrowers which have not yet been identified. The Bond Bank and the Department anticipate that approximately \$5 million of draws for Clean Water Loans and \$39 million of draws for Drinking Water Loans will be made during the remainder of calendar year 2004 and calendar year 2005. Among these anticipated Loans, the Bond Bank and the Department expect to fund eligible costs for the Cities of Grand Forks, Williston, Casselton, Grafton and Jamestown in the aggregate estimated amount of \$33 million, with the balance of the current year’s draws consisting of smaller Loans to other Political Subdivisions.

Prospective Borrowers identified here and in the Intended Use Plan have contacted the Department and/or the Bond Bank with respect to possible Loans but are not obligated to take, and have not been approved for Loans.

Loan Review Process

The Department and the Bond Bank will select Borrowers for loan eligibility in the Programs based upon each Borrower’s need for new or improved wastewater treatment facilities, drinking water facility improvements or other eligible facilities, each Borrower’s ability to commence construction of its facility within the time frame mandated by the Program, and each Borrower’s ability to impose sewer or water utility rates or levy special assessments at a level sufficient to repay the Loan and interest thereon. Applicants for financing under each Program will be reviewed annually and the Department will prepare an Intended Use Plan for each Program for each fiscal year identifying Borrowers which will be eligible for financing under the Programs.

The Bond Bank has established credit underwriting standards (the “Credit Standards”) for reviewing Borrowers eligible for Program financing. The Credit Standards include review of three general areas, with a different emphasis on certain factors within these areas depending upon the nature of the underlying security for the Municipal Securities to be issued. The Bond Bank reserves the right to analyze prospective Borrowers on a case-by-case basis for compliance with the Credit Standards. The Bond Bank also reserves the right to revise the Credit Standards without Bondholders’ consent and to waive the Credit Standards applied to Borrowers applying for participation in each Program. For further information relating to the Credit Standards, refer to “The North Dakota Municipal Bond Bank - Credit Review” herein.

Sources of Funds for Loans

The Bond Bank funds Loans from leveraged bonds, state match bonds and federal capitalization grants. The Master Trust Indenture establishes three accounts within the Loan Fund for each State Revolving Fund for making Loans to Borrowers: the State Match Loan Account, the Federally Capitalized Loan Account and the Leveraged Loan Account. The State Match Loan Accounts are expected to be funded from proceeds of Bonds. Under applicable EPA regulations, the State of North Dakota is required to provide a match equal to 20% of the amount of the Capitalization Grants. The Federally Capitalized Loan Accounts will consist of (1) proceeds of draws under the EPA Automated Clearing House Payment System (the “EPA-ACH”) which are not deposited in the Reserve Funds and (2) any transfers from the Restricted Reserve Accounts of the Reserve Funds. The Leveraged Loan Accounts are funded from the proceeds of any bonds issued for that purpose. Loans to Borrowers can be made from any available

funds in the State Match Loan Account, the Leveraged Loan Account or the Federally Capitalized Loan Account of each State Revolving Fund in such proportions as the Bond Bank may determine. For future Loans, the relative proportions in which Loans are made from Bond and Capitalization Grant proceeds will depend primarily on the Department's estimate of the availability of future Capitalization Grants, the funding needs of the Programs and the rate of interest at which the Loans are to be made.

The Capitalization Grants will be paid to the Department through the EPA-ACH. The EPA-ACH provides the Department with the ability to draw monies periodically for purposes permitted under the Clean Water Act and Drinking Water Act as eligible costs of projects funded under the Programs are incurred. For each dollar of eligible costs incurred, approximately 83 cents may be drawn through the EPA-ACH under the respective State Revolving Fund, subject to the limits of the Capitalization Grant. The Bond Bank, under the terms of the Administration Agreements, has pledged the proceeds of draws on the EPA-ACH to the Trustee under the Master Trust Indenture. Such proceeds may be deposited either in the Federally Capitalized Loan Account of the Loan Fund or the Restricted Reserve Account of the Reserve Fund of each State Revolving Fund, as determined by the Bond Bank.

The Bond Bank will use monies received from Capitalization Grants for the Clean Water SRF and monies received from Capitalization Grants for the Drinking Water SRF to pay a portion of allowable administrative activities, and the balance will be deposited in the Federally Capitalized Loan Account of each Loan Fund. Amounts in the Federally Capitalized Loan Accounts are expected to be used from time to time to make additional Loans to qualified Borrowers.

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Clean Water and Drinking Water SRF Capitalization Grants

Table 1 below presents the Capitalization Grants for federal fiscal years 1989 through 2004 (information as of April 30, 2004).

Table 1
Capitalization Grants

Federal	Clean Water SRF			Drinking Water SRF		
	Fiscal	Grant Award	Amount of	Amount of Grant	Grant Award	Amount of
Year	Amount⁽¹⁾	Grant Drawn	to Be Drawn	Amount⁽¹⁾	Grant Drawn	to Be Drawn
1989	\$ 4,577,200	\$ 4,577,200	\$ --	\$ --	\$ --	\$ --
1990	4,738,000	4,738,000	--	--	--	--
1991	10,074,800	10,074,800	--	--	--	--
1992	9,534,900	9,534,900	--	--	--	--
1993	9,431,000	9,431,000	--	--	--	--
1994	5,813,800	5,813,800	--	--	--	--
1995	6,007,800	6,007,800	--	--	--	--
1996	9,904,700	9,904,700	--	--	--	--
1997	2,990,500	2,990,500	--	12,558,800	12,558,800	--
1998	6,577,300	6,577,300	--	7,121,300	7,121,300	--
1999	6,577,900	6,577,900	--	7,463,800	7,463,800	--
2000	6,555,200	6,555,200	--	7,757,000	7,757,000	--
2001	6,496,100	6,496,100	--	7,789,100 ⁽³⁾	7,768,711	20,389
2002	6,510,800	6,510,800	--	8,052,500 ⁽⁴⁾	5,889,088	2,163,412
2003	6,467,800	--	6,467,800	8,004,100	--	8,004,100
2004	<u>6,471,800⁽²⁾</u>	<u>--</u>	<u>6,471,800</u>	<u>8,303,100⁽²⁾</u>	<u>--</u>	<u>8,303,100</u>
Total	<u>\$108,729,600</u>	<u>\$ 95,790,000</u>	<u>\$12,939,600</u>	<u>\$67,049,700</u>	<u>\$48,558,699</u>	<u>\$18,491,001</u>

(1) Gross amount of award.

(2) Appropriated, but not yet awarded.

(3) \$602,933 was transferred to the Clean Water SRF.

(4) \$8,025,500 was transferred to the Clean Water SRF.

The Drinking Water Act allows up to 33% of the amount of a state's annual Capitalization Grant and corresponding State Match for drinking water to be transferred at the direction of the Governor to a state's clean water revolving fund, or an equivalent dollar amount to be transferred from a state's clean water revolving fund to a state's drinking water revolving fund. As of April 30, 2004, the Bond Bank has transferred \$8,333,333 of its Capitalization Grants and \$1,666,667 of its State Match from the Drinking Water SRF to the Clean Water SRF. The Master Trust Indenture authorizes the transfer of certain surplus funds from one State Revolving Fund to the other, subject to applicable limits and EPA approval. As of April 30, 2004, the Bond Bank has transferred an aggregate amount of \$8,720,425 of surplus Clean Water SRF funds to the Drinking Water SRF, and it is expected that additional similar transfers will be made until such surplus fund transfers equal the amount of Capitalization Grants and corresponding State Match transferred from the Drinking Water SRF to the Clean Water SRF. These transfers have afforded the Clean Water SRF and Drinking Water SRF greater flexibility in the administration of funds.

The Drinking Water Act also permits set-asides of portions of the Capitalization Grants for specific purposes such as program management, technical assistance and other activities, up to an aggregate maximum of 31% of each annual Capitalization Grant. Such set-asides would reduce the Capitalization Grants available for Loans under the Drinking Water Program.

Current Account Balances

The Master Trust Indenture requires the Bond Bank to have audited financial statements for each fiscal year ending December 31 prepared and on file on or before April 1 of each year. These audited financial statements are filed annually with the NRMSIRS and are incorporated by reference. The 2003 audited financial statements are also available at the offices of the Bond Bank. Unaudited fund balances for the Clean Water and Drinking Water SRF Programs as of April 30, 2004 are as follows:

Table 2
Unaudited Fund Balances
(As of April 30, 2004)

<u>Fund</u>	<u>Clean Water</u>	<u>Drinking Water</u>
Reserve Fund:		
Restricted Reserve Account	\$ 6,373,346.32	\$ 2,529,811.47
Special Reserve Account	1,992,982.11	850,676.19
Unrestricted Reserve Account	148,816.07	547,913.59
Loan Fund:		
Federally Capitalized Loan Account	54,118,200.17	18,026,394.94
State Match Loan Account	0.00	4,681,181.00
Leveraged Loan Account	0.00	6,899,788.00
Outstanding Loans Receivable	110,809,185.00	54,118,498.80
Revenue Fund:		
Unrestricted Revenue Account	2,323,108.85	1,088,470.63
Restricted Revenue Account	1.99	4,003.77
Unrestricted Cumulative Excess Revenue Account	9,729,814.94	1,337,623.09
Restricted Cumulative Excess Revenue Account	<u>5,440,176.28</u>	<u>2,401,261.08</u>
Total	<u>\$190,935,631.73</u>	<u>\$92,485,622.56</u>

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PLAN OF REFUNDING

The Series 2004A Bonds are being issued pursuant to the CWSRF Act, the DWSRF Act, the Bond Bank Act, the Master Trust Indenture and the 2004A Series Resolution.

Proceeds of the Series 2004A Bonds will be used to refund portions of the Series 2000 Bonds, as described herein, and pay the costs of issuance related to the Series 2004A Bonds. See “Sources and Uses of Funds” herein.

Following is a list of maturities and amounts of the Series 2000 Bonds which may be refunded:

<u>Series</u>	<u>Maturity</u>	<u>Amount Outstanding</u>	<u>Call Date</u>	<u>Call Price</u>	<u>Par Amount of Bonds to be Called</u>
2000 Bonds	10/01/11	\$ 745,000	10/01/10	100%	\$ 745,000
	10/01/12	790,000	10/01/10	100%	790,000
	10/01/13	830,000	10/01/10	100%	830,000
	10/01/14	880,000	10/01/10	100%	880,000
	10/01/15	930,000	10/01/10	100%	930,000
	10/01/16	980,000	10/01/10	100%	980,000
	10/01/17	1,040,000	10/01/10	100%	1,040,000
	10/01/18	1,100,000	10/01/10	100%	1,100,000
	10/01/19	1,165,000	10/01/10	100%	1,165,000
	10/01/20	1,235,000	10/01/10	100%	1,235,000
	10/01/21	<u>1,310,000</u>	10/01/10	100%	<u>1,310,000</u>
Total		<u>\$11,005,000</u>			<u>\$11,005,000</u>

The proceeds of the Series 2004A Bonds will be applied toward the expense of refunding, and to provide a beginning cash escrow balance and to purchase permitted obligations. The securities referred to above will be held in an escrow account for the retirement of the Series 2000 Bonds, which are being refunded, and the interest thereon. The escrow will be subject to verification as to the adequacy of the cash and securities placed in escrow to retire the bonds being called. See “Sources and Uses of Funds” and “Verification” herein.

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SOURCES AND USES OF FUNDS

The following is a summary of the estimated sources and uses of funds related to the Series 2004A Bonds:

Table 3

Sources:

Series 2004A SRF Program Bonds	\$11,790,000.00
Funds on Hand	56,412.50
Net Original Issue Premium/(Discount)	<u>509,020.00</u>
Total Sources of Funds	<u>\$12,355,432.50</u>

Uses:

Escrow Account	\$12,248,518.30
Costs of Issuance	33,176.00
Underwriter's Discount	71,329.50
Contingency	<u>2,408.70</u>
Total Uses of Funds	<u>\$12,355,432.50</u>

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SOURCES OF PAYMENT AND SECURITY

General

The principal sources of payment and security for the Bonds are the revenues derived from payments of principal of and interest on the Municipal Securities evidencing the Loans to be made with Capitalization Grants and proceeds of the sale of Bonds, amounts on deposit in certain funds and accounts established under the Master Trust Indenture and earnings thereon.

The Series 2004A Bonds are issued on parity with the Outstanding Clean Water Bonds, the Outstanding Drinking Water Bonds and all other Bonds to be issued by the Bond Bank under the Master Trust Indenture (except for limited sources of payment available for the Clean Water State Match Portion and the Drinking Water State Match Portion). They are not in any way a debt or liability of the State of North Dakota, the Industrial Commission or any political subdivision of the State. **The Series 2004A Bonds are obligations of the Bond Bank and, although payable from any legally available monies of the Bond Bank, the Bond Bank has no taxing power and no significant assets available other than the funds and accounts specifically pledged to the Bonds under the Master Trust Indenture.**

The Series 2004A Bonds and all other Bonds issued under the Master Trust Indenture will be payable from and secured by:

1. Revenues from, and the Bond Bank's interest in, Municipal Securities purchased under the Programs;
2. A first lien on the pledge of the monies, securities and investments in the Bond Funds, the Reserve Funds, the Revenue Funds, the Administration Funds and the Loan Funds created and maintained under the Master Trust Indenture for the Clean Water SRF and Drinking Water SRF; and
3. Any other legally available funds of the Bond Bank.

To the extent such sources may be applied to particular portions of the debt service under the Master Trust Indenture, the Master Trust Indenture provides that moneys in any fund, account or subaccount therein relating to the Clean Water SRF shall be held separate and apart from moneys in any fund, account or subaccount therein relating to the Drinking Water SRF. To accomplish this, separate accounts and subaccounts in the various funds are maintained for Clean Water SRF moneys and Drinking Water SRF moneys. See "SOURCE OF PAYMENT AND SECURITY - Relationship Between Monies Held in Clean Water SRF and Drinking Water SRF."

Consistent with federal regulations applicable to the State Revolving Fund Programs however, the monies in the Leveraged Loan Accounts of the Loan Funds, the Federally Capitalized Loan Accounts of the Loan Funds, the SRF Administration Accounts of the Administration Funds, the Restricted Revenue Accounts of the Revenue Funds, the Leveraged Bond Accounts of the Bond Funds and the Restricted Reserve Accounts of the Reserve Funds (other than interest earnings on these funds) will not be used to pay principal of and interest on the State Match Portions of any Bonds.

Revenues and Other Available Monies

The Master Trust Indenture provides that all payments of principal of the Municipal Securities evidencing Clean Water SRF Loans shall be deposited in the Restricted Revenue Account of the Clean Water Revenue Fund and that all payments of principal of the Municipal Securities evidencing Drinking Water SRF Loans shall be deposited in the Restricted Revenue Account of the Drinking Water Revenue Fund. Amounts in the Restricted Revenue Accounts are transferred as necessary to the Leveraged Bond Accounts of the Clean Water Bond Fund and Drinking Water Bond Fund, respectively, and applied to the payment of the Leveraged Portions of debt service on the Bonds on each payment date.

The Master Trust Indenture provides that all payments of interest on the Municipal Securities evidencing Clean Water SRF Loans shall be deposited in the Unrestricted Revenue Account of the Clean Water Revenue Fund and that all payments of interest on the Municipal Securities evidencing Drinking Water SRF Loans shall be deposited in the Unrestricted Revenue Account of the Drinking Water Revenue Fund. Amounts in the Unrestricted Revenue Accounts are transferred as necessary to the State Match Bond Accounts of the Clean Water Bond Fund and Drinking Water Bond Fund, respectively, and applied to the payment of the State Match Portions of debt service on the Bonds on each payment date and may also be transferred, if necessary, to the Leveraged Bond Accounts in order to pay any part of the Leveraged Portions of debt service on the Bonds which is not provided by transfers from the Restricted Revenue Accounts.

Investment earnings on all funds and accounts under the Clean Water SRF may be transferred to the Unrestricted Revenue Account of the Clean Water Revenue Fund at the direction of the Bond Bank and investment earnings on all funds and accounts under the Drinking Water SRF may be transferred to the Unrestricted Revenue Account of the Drinking Water Revenue Fund at the direction of the Bond Bank.

Funds are retained within the proper account of either Revenue Fund until an amount equal to one-half of the principal payable in the next six-month period is accumulated.

Tables 4 and 5 set forth the estimated revenues and debt service of the Programs as of the issuance of the Series 2004A Bonds. The tables are based upon the assumptions set forth in the footnotes presented below each respective table. While the Bond Bank believes that these assumptions are reasonable, there can be no assurance that actual amounts received or coverage will equal the amounts set forth in the tables and the variations may be material. The tables do not take into consideration prospective defaults on existing Loans, the issuance of Additional Bonds, the making of additional Loans (other than those expected to be made with the proceeds of Outstanding Bonds), a change in the creditworthiness of the Borrowers, a default in any investment, investment losses, changes in investment income available upon reinvestment, or other factors.

The Bond Bank anticipates making future Loans from amounts currently invested in guaranteed investment contracts or other investments. Since the rate of interest on Loans is less than the rate of interest on these investments, revenues available to pay debt service and debt service coverage on the State Match Portions, will be less than is shown on such table by an amount relating to the amount and timing of when such Loans are made.

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Table 4
Clean Water State Revolving Fund Financial Position
Projected Coverage

Payment Date	State Match Bond Debt Service	Loan Interest Repayments	Interest Earnings ⁽¹⁾	Coverage	Leveraged Bond Debt Service	Available for Leveraged Bonds ⁽²⁾	Loan Principal Repayments ⁽³⁾	Coverage	Total Bond Debt Service	Total Receipts	Coverage
2005	\$2,087,916	\$3,129,544	\$4,644,459	3.72x	\$6,158,452	\$5,686,087	\$7,043,388	2.07x	\$8,246,368	\$14,817,391	1.80x
2006	2,090,217	2,951,987	4,807,274	3.71x	6,167,548	5,669,044	7,363,202	2.11x	8,257,765	15,122,463	1.83x
2007	2,090,847	2,766,757	4,978,884	3.70x	6,160,434	5,654,794	7,469,202	2.13x	8,251,281	15,214,843	1.84x
2008	2,092,155	2,579,052	5,152,866	3.70x	6,177,007	5,639,763	7,692,402	2.16x	8,269,163	15,424,320	1.87x
2009	2,102,912	2,385,742	5,331,545	3.67x	6,210,131	5,614,375	7,784,502	2.16x	8,313,043	15,501,789	1.86x
2010	2,106,059	2,190,104	5,511,252	3.66x	6,220,335	5,595,297	7,959,202	2.18x	8,326,394	15,660,558	1.88x
2011	2,107,797	1,990,049	5,694,785	3.65x	6,250,506	5,577,037	8,090,642	2.19x	8,358,304	15,775,476	1.89x
2012	2,114,488	1,786,683	5,879,849	3.63x	6,274,444	5,552,044	8,249,852	2.20x	8,388,932	15,916,384	1.90x
2013	2,131,147	1,579,312	6,071,251	3.59x	6,327,585	5,519,415	8,461,215	2.21x	8,458,732	16,111,778	1.90x
2014	2,116,576	1,366,632	6,069,242	3.51x	6,259,819	5,319,299	8,367,518	2.19x	8,376,395	15,803,392	1.89x
2015	1,744,222	1,157,444	6,026,961	4.12x	4,803,403	5,440,183	7,828,252	2.76x	6,547,625	15,012,657	2.29x
2016	1,570,658	961,737	5,674,676	4.23x	4,401,080	5,065,755	7,714,981	2.90x	5,971,739	14,351,394	2.40x
2017	1,571,258	768,863	5,284,422	3.85x	4,398,117	4,482,027	6,609,804	2.52x	5,969,376	12,663,089	2.12x
2018	1,026,052	603,618	4,751,651	5.22x	2,504,393	4,329,217	6,102,412	4.17x	3,530,445	11,457,681	3.25x
2019	1,024,863	451,058	4,862,279	5.18x	2,501,877	4,288,474	4,777,200	3.62x	3,526,741	10,090,537	2.86x
2020	744,858	331,628	4,906,577	7.03x	1,111,244	4,493,347	3,689,400	7.36x	1,856,103	8,927,605	4.81x
2021	752,494	239,393	4,595,616	6.43x	1,113,146	4,082,515	3,429,500	6.75x	1,865,640	8,264,509	4.43x
2022	297,828	153,655	4,248,331	14.78x	--	4,104,159	2,131,200	--	297,828	6,533,186	21.94x
2023	296,828	100,375	4,384,358	15.11x	--	4,187,906	1,115,000	--	296,828	5,599,733	18.87x

(1) Interest earnings assumed at the respective bond yields.

(2) Includes Loan Interest Repayments and Interest Earnings less State Match Bond Debt Service.

(3) Consists of approved loans as of September 13, 2004.

(4) Amounts invested in the Federally Capitalized Loan Account are not included in the coverage computation.

Reserve Funds

The Reserve Funds of the Clean Water SRF and the Drinking Water SRF each have three accounts: a Special Reserve Account which will be funded with Bond proceeds; a Restricted Reserve Account which initially will be funded with Bond proceeds and Capitalization Grant proceeds; and an Unrestricted Reserve Account which can be funded with interest earnings on other funds and accounts.

There are two reserve requirements applicable to each Reserve Fund: (A) a “State Match Reserve Requirement”, which means the largest amount of the State Match Portion of the Clean Water Portion or Drinking Water Portion, as the case may be, of principal (including Sinking Fund Installments) and interest on Bonds Outstanding under the Master Trust Indenture in the then current or any succeeding calendar year; and (B) a “Total Reserve Requirement”, which means the largest amount of principal (including Sinking Fund Installments) and interest on the Clean Water Portion or Drinking Water Portion, as the case may be, of all Bonds Outstanding under the Master Trust Indenture in the then current or any succeeding calendar year. The State Match Reserve is met by the amounts held in the Special Reserve Account and the Unrestricted Reserve Account. The Total Reserve Requirement is met by the amounts held in all three reserve accounts.

Under the Master Trust Indenture, the Bond Bank has covenanted to establish and maintain each Reserve Fund in an amount equal to the Total Reserve Requirement and to maintain an aggregate amount in the Unrestricted Reserve Account and the Special Reserve Account of the Reserve Fund of not less than the State Match Reserve Requirement.

Limited Sources for Payment of State Match Portions

Under the Master Trust Indenture, each payment of principal of and interest on the Clean Water and Drinking Water Portions of debt service on the Bonds is divided between a State Match Portion and a Leveraged Portion. The State Match Portions are payable only from interest on Municipal Securities and any investment income earned on amounts on deposit in the various Funds and Accounts established under the Master Trust Indenture which are not required to be maintained therein or otherwise transferred under the terms of the Master Trust Indenture. Circumstances could arise under which sufficient funds are not available for payment in full of the State Match Portions of principal of and interest on the Bonds even though the aggregate amounts on deposit in the respective Funds and Accounts exceed the total amount of principal of and interest due on the respective Bonds. See “Summary of Certain Provisions of the Master Trust Indenture-Funds and Accounts” herein.

Request for Appropriation

In the event that, at any time, either Reserve Fund shall not aggregate the Total Reserve Requirement and the aggregate amount on deposit in the Unrestricted Reserve Account and the Special Reserve Account shall not equal or exceed the State Match Reserve Requirement, the Executive Director of the Bond Bank shall forthwith give written notice to the Chairman and each member of the Industrial Commission, and the Industrial Commission shall forthwith transfer other funds to such Reserve Fund as permitted under the Bond Bank Act or shall certify to the Legislative Assembly of the State of North Dakota the sum required to be appropriated for deposit in the Unrestricted Reserve Account in order to restore the Reserve Fund to an amount equal to or greater than the Total Reserve Requirement and to restore such Unrestricted Reserve Account and the Special Reserve Account to an amount equal to or greater than the State Match Reserve Requirement. There can be no assurance that other funds will be available for transfer or that an appropriation will be made.

The Bond Bank Act provides: “In order to assure the maintenance of the required debt service reserve, there shall be appropriated by the legislative assembly and paid to the bond bank for deposit in the reserve fund, such sum, if any, as shall be certified by the industrial commission as necessary to restore the reserve fund to an amount equal to the required debt service reserve.” The “required debt service reserve” is an aggregate amount equal to at least the

largest amount of money required by the terms of all contracts between the Bond Bank and its bondholders to be raised in the then current or any succeeding calendar year for the payment of interest on and maturing principal of outstanding bonds, and sinking fund payments required by the terms of any contracts to sinking funds established for the payment or redemption of the bonds.

In a written opinion of the Office of Attorney General, such provision of the Bond Bank Act does not constitute a legally enforceable obligation of the State, but there is no applicable provision of law which would prohibit a future Legislative Assembly of the State from appropriating such sum, if any, as shall have been certified by the Industrial Commission as necessary to restore the Reserve Fund to an amount sufficient to meet the Total Reserve Requirement and to restore the Unrestricted Reserve Account and the Special Reserve Account to an amount sufficient to meet the State Match Reserve Requirement.

The Legislative Assembly of the State meets only in odd-numbered years commencing on the first Tuesday after the third day in January or at another time prescribed by law but not later than the eleventh day of January. No assurance can be made that the Legislative Assembly will appropriate such funds, if requested or if appropriated, such moneys can be applied in time to prevent default.

No Acceleration

The remedies available to the holders of the Series 2004A Bonds do not include a right of acceleration in the event of a default under the Master Trust Indenture.

Additional Bonds

Pursuant to the provisions of the Master Trust Indenture, additional Bonds may be issued on a parity with the Series 2004A Bonds, the Outstanding Clean Water Bonds or Outstanding Drinking Water Bonds (except in the case of refunding Bonds issued to pay principal or interest on Bonds for the payment of which sufficient funds are not expected to be available) if certain conditions are met including, but not limited to, the following: (a) a Coverage Certificate with supporting schedules, estimating that, as of each Bond Payment Date, (i) if the Bonds to be issued include a Drinking Water Portion, Projected Drinking Water Revenues available to be deposited in both the Leveraged Bond Account and the State Match Bond Account of the Drinking Water Bond Fund will be sufficient to pay respectively the State Match Portion and the Leveraged Portion of the Drinking Water Portion of principal and interest due on each Bond Payment Date on all Bonds then Outstanding (except Bonds and interest thereon refunded from the proceeds of the Bonds to be issued) and the Drinking Water Portion of principal and interest on the Bonds to be issued, and (ii) if the Bonds to be issued include a Clean Water Portion, Projected Clean Water Revenues available to be deposited in both the Leveraged Bond Account and the State Match Bond Account of the Clean Water Bond Fund will be sufficient to pay respectively the State Match Portion and the Leveraged Portion of the Clean Water Portions of principal and interest due on each Bond Payment Date on all Bonds then Outstanding (except the Clean Water Portions of the Bonds and interest thereon refunded from the proceeds of the Bonds to be issued) and the Clean Water Portion of principal and interest on the Bonds to be issued, and (b) a Coverage Certificate, with supporting schedules, estimating that, during each year that the Bonds to be issued are scheduled to be Outstanding, (i) if the Bonds to be issued include a Drinking Water Portion, Projected Drinking Water Revenue will be at least 120% of the Drinking Water Portion of principal and interest due in each such year on all then Outstanding and to be issued Bonds and (ii) if the Bonds to be issued include a Clean Water Portion, Projected Clean Water Revenue will be at least 120% of the Clean Water Portion of principal and interest due in each such year on all then Outstanding and to be issued Bonds. “Projected Clean Water Revenue” and “Projected Drinking Water Revenue” as of the date of a Coverage Certificate, means (i) the scheduled principal and interest payments on all Clean Water Municipal Securities or Drinking Water Municipal Securities, as the case may be, held by the Trustee or required to be delivered to the Trustee pursuant to a Loan Agreement, except payments of principal and interest on Municipal Securities which (a) are then in Default in the payment of principal or interest or (b) failed to meet the Credit Standards in effect at the time the Municipal Securities were acquired and, if a revenue obligation payable from

net revenues of a utility, also failed to meet the coverage requirement of the applicable Credit Standards during both of the last two complete fiscal years, and (ii) the amount which the Executive Director estimates will be received on investments of all other amounts then held or expected to be deposited in any Clean Water fund or account or Drinking Water fund or account, as the case may be, under the Master Trust Indenture, including amounts which are reasonably expected to be drawn under the EPA-ACH.

Unknown Future Participants and Credit Standard Changes

The Master Trust Indenture is an “open indenture” which authorizes the issuance of Additional Bonds and lending the proceeds thereof and other funds to Borrowers to be identified in the future. The Bond Bank expects to make additional Loans in amounts and at interest rates which have not yet been determined and whose credit quality cannot be predicted. Although Additional Bonds are authorized only if sufficient Municipal Securities meet the Credit Standards, the Credit Standards may be changed or waived at the discretion of the Bond Bank.

Relationship Between Monies Held in Clean Water SRF and Drinking Water SRF

In the event on any Bond Payment Date amounts available in the funds and accounts with respect to either the Clean Water SRF or the Drinking Water SRF are insufficient to pay their respective portion of principal of or interest on Bonds then due and payable, the Trustee shall transfer to the deficient Bond Fund an amount sufficient to remedy such deficiency from the following sources in the following order:

- a) First, from any funds on deposit in the Restricted Cumulative Excess Subaccount of the Revenue Fund of the other SRF to the extent necessary, together with other funds available, to pay the deficient Leveraged Portion of principal and interest on Bonds then due.
- b) Second, from the Unrestricted Cumulative Excess Subaccount of the Revenue Fund of the other SRF to the extent necessary, together with other funds available, to pay the deficient State Match Portion of principal and interest on Bonds then due.
- c) Third, from Excess Unrestricted Revenues of the other SRF.

The “Excess Unrestricted Revenues” of a State Revolving Fund are any amounts on deposit in the Unrestricted Cumulative Excess Subaccount and any investment income earned on various Funds and Accounts which is not required to be maintained therein or otherwise transferred under the Master Trust Indenture.

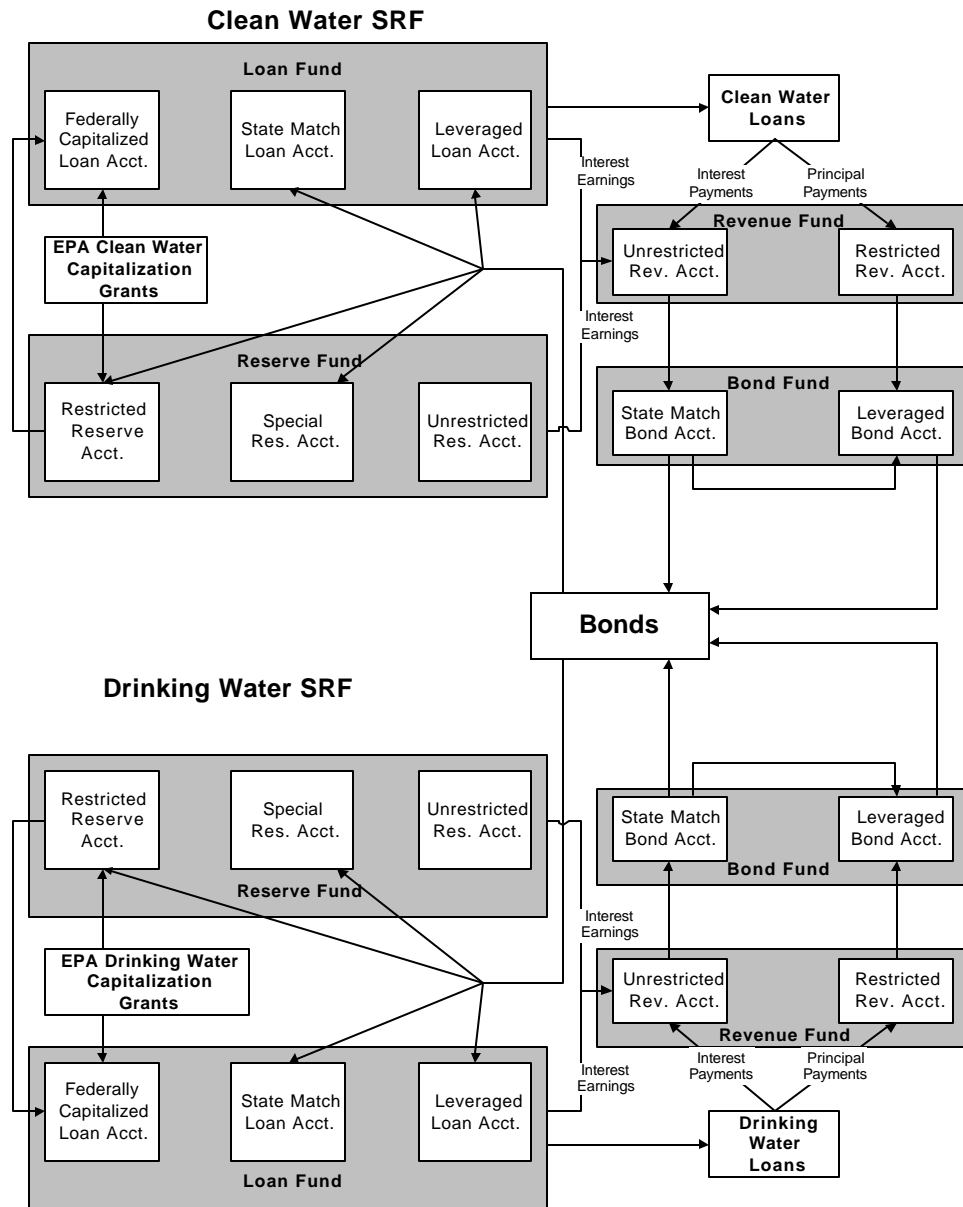
In the event funds are at anytime transferred from one State Revolving Fund to the other, the State Revolving Fund from which the transfer was made shall reimburse to such State Revolving Fund the amounts so advanced, on a basis subordinate to the payments of debt service obligations of the State Revolving Fund from which the transfer was made. Such reimbursement shall be made only from funds on deposit in the Restricted Cumulative Excess Subaccount or the Unrestricted Cumulative Excess Subaccount, and from other Excess Unrestricted Revenues of the State Revolving Fund which received the transferred funds.

In addition to the foregoing, balances in the Restricted Cumulative Excess Subaccount and the Unrestricted Cumulative Excess Subaccount may be transferred from one State Revolving Fund to the other as the Bond Bank may direct, subject to certain coverage requirements and EPA limits and approvals.

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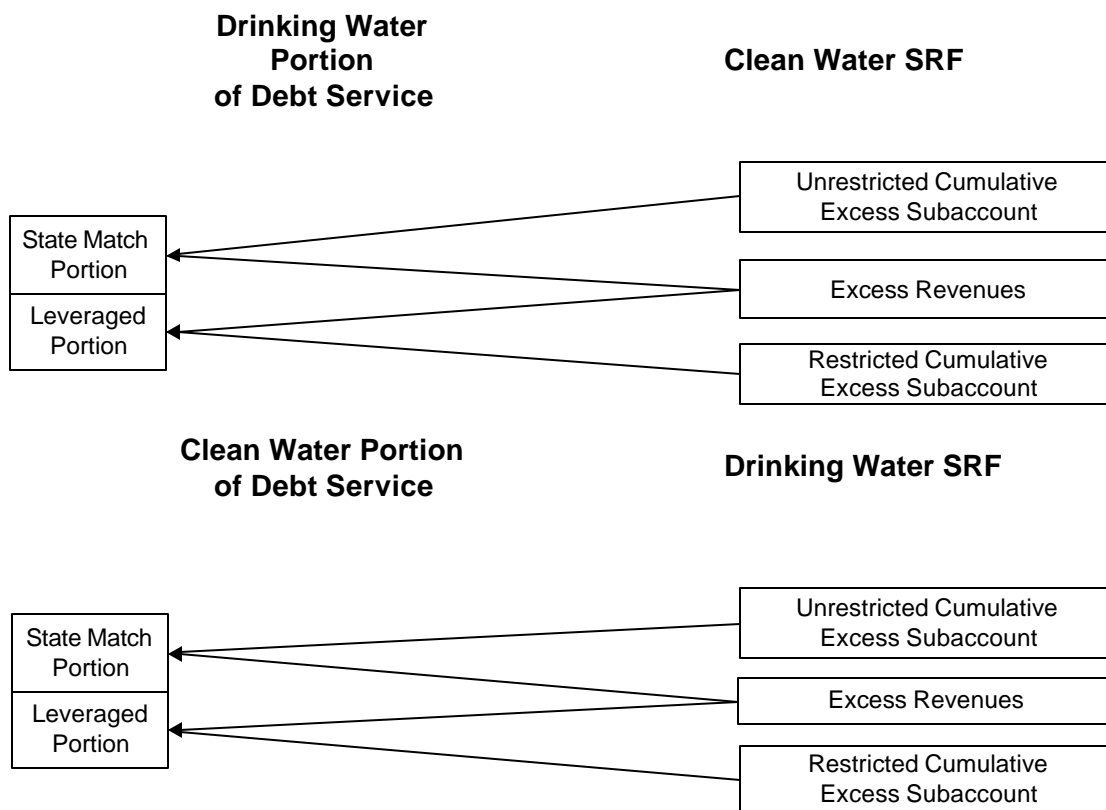
FLOW OF FUNDS

Presented below is a summary flow of funds chart for the Programs. This chart is representative of the Programs as a whole. Not all funds and accounts may be within the flow of funds for each issuance of Bonds, as not all Bonds are issued for the same purposes.



A more detailed description of the flow of funds can be found in the Master Trust Indenture.

The flow chart on the previous page does not reflect permitted transfers between the Clean Water SRF and Drinking Water SRF to cure deficiencies. Such transfers are depicted as follows:



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INVESTMENTS

The Master Trust Indenture authorizes investments in guaranteed investment contracts (“GICs”) which are issued, secured or guaranteed by a corporation or national bank which has a long-term debt rating by Moody’s Investors Service, Inc. equal to the better of “A” or the then current rating on the Bonds. Under the GICs, the Bond Bank reserves the right to call an investment contract if the provider’s debt rating falls below the minimum level. Currently, none of the GICs owned by the Bond Bank pursuant to the Master Indenture are collateralized. The Master Trust Indenture also authorizes investments in guaranteed deposit contracts (“GDCs”) which are issued by the Bank of North Dakota. Under the Programs, the Bond Bank has entered into GICs and a GDC with the providers listed in Table 5.

Table 5
Investment Providers and Amounts

<u>Investment Provider</u>	<u>Bond Series</u>	<u>Type of Investment</u>	<u>Investment Amount (as of 04/30/04)</u>	<u>Maturity</u>	<u>Moody’s Rating</u>
Canadian Imperial Bank of Commerce	Series 1993	GIC	\$ 9,356,598	10/01/14	Aa3
MBIA Inc.	Series 1995 and 1996	GIC	39,953,562	09/29/17	Aaa
CDC Funding Corporation	Series 1998	GIC	17,442,408	10/31/19	Aaa
GE Capital Corporation	Series 2000	GIC	20,667,132	10/15/21	Aaa
Bank of North Dakota	Series 2001	GDC	7,713,204	10/01/21	None ⁽¹⁾
Trinity Plus Funding Company	Series 2003A	GIC	<u>22,580,024</u>	10/01/23	Aaa
Total			<u>\$117,712,928</u>		

⁽¹⁾ The Master Trust Indenture allows the Bond Bank to enter into GDCs with the Bank of North Dakota which is not currently rated by Moody’s. Such GDC is supported by a statutory guarantee of the State of North Dakota.

It is expected that substantially all of such amounts will be invested in uncollateralized GICs or GDCs. Payment of amounts due on the GICs and GDC are solely dependent upon the ability of the providers (including a guarantor, if any) to pay such amounts. Investment earnings are a source of funds for the payment of the Bonds and are required if the Bond Bank is to have sufficient funds to pay the Bonds.

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DESCRIPTION OF THE SERIES 2004A BONDS

Terms of the Series 2004A Bonds

The Series 2004A Bonds will be dated as of the delivery date, will mature on October 1 in the years and amounts and bear interest from such date payable at the rates set forth on the cover of this Official Statement. Interest will be paid semiannually on each April 1 and October 1, commencing April 1, 2005.

Redemption of the Series 2004A Bonds

Optional Redemption. The Series 2004A Bonds maturing before October 1, 2014 are not subject to redemption prior to their respective maturities. The Series 2004A Bonds maturing on or after October 1, 2015 are subject to redemption and prior payment at the option of the Bond Bank on October 1, 2014 and on any date thereafter in whole or in part in such amounts and from such maturities as the Bond Bank may determine and by lot within a maturity at the redemption price of par.

Whenever by the terms of the Master Trust Indenture or a Series Resolution the Trustee is required to redeem Bonds in whole or in part other than at the election of the Bond Bank, the Trustee shall select the Bonds of the Series to be redeemed, give the notice of redemption and apply available funds to the payment of the Redemption Price thereof and the accrued interest thereon to the redemption date in accordance with the terms of the Master Trust Indenture.

Notice of Redemption

Thirty days prior to the redemption date, notice of any such redemption shall be given by mail to DTC, as the registered owner. In the event less than all of the Series 2004A Bonds of one maturity are called for redemption, the Bond Bank shall notify DTC of the particular amount of such maturity to be called for redemption. DTC's practice is to determine the amount to be redeemed from each Participant, and each Participant (as defined under "Book-Entry Only System" below) will then select by lot the ownership interest in such maturity to be redeemed. See "Book-Entry Only System" herein.

Book-Entry-Only System

The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Bond Bank believes to be reliable, but the Bond Bank takes no responsibility for the accuracy thereof.

1. The Depository Trust Company ("DTC"), New York, NY will act as securities depository for the Series 2004A Bonds. The Series 2004A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2004A Bond certificate will be issued for each maturity specified on the cover page hereof in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Series 2004A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2004A Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2004A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers ownership interest in the Series 2004A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2004A Bonds, except in the event that use of the book-entry system for the Series 2004A Bonds is discounted.

4. To facilitate subsequent transfers, all Series 2004A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2004A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2004A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2004A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2004A Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Bond Bank as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2004A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Principal of, redemption premium, if any, and interest payments on the Series 2004A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's

practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Bond Bank or Paying Agent, on payable date in accordance with their respective holding shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, Paying Agent, or the Bond Bank, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Bond Bank or Paying Agent, disbursement of such payments to Direct Participants will be responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its service as depository with respect to the Series 2004A Bonds at any time by giving reasonable notice to Bond Bank or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2004A Bond certificates are required to be printed and delivered.

10. The Bond Bank may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2004A Bond certificates will be printed and delivered.

NEITHER THE BOND BANK NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2004A BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2004A BONDS; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2004A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2004A BONDS; OR (VI) ANY OTHER MATTER.

Continuing Disclosure Undertaking

Pursuant to the Undertaking to Provide Continuing Disclosure (the "Undertaking") executed and delivered by the Bond Bank in connection with the issuance of the Series 2004A Bonds, the Bond Bank has agreed to provide either directly or indirectly through a dissemination agent:

- a. To each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and to the appropriate State Information Depository ("SID") , if any, or to DisclosureUSA on or before August 1 of each year, commencing August 1, 2005 annual financial information for the State Revolving Funds of the Bond Bank and certain financial information for each Borrower whose loan obligations represent ten percent (10%) or more of the aggregate outstanding principal amount of either approved Loan amounts or if fully funded at less than the approved amounts, then actual Loan amounts, which is the objective standard established by the Bond Bank;
- b. If not submitted as part of the annual financial information, then when and if available, to each NRMSIR and SID, if any, or to DisclosureUSA audited financial statements for each Borrower covered by paragraph (a) above;
- c. In a timely manner to each NRMSIR or to the Municipal Securities Rulemaking Board, and to the appropriate SID, if any, notice of the following events with respect to the Bonds, if material:
 - (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) Substitution of credit liquidity providers or their failure to perform;
 - (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
 - (7) Modification of the rights of Bondholders;
 - (8) Bond calls (other than any mandatory sinking fund redemptions);
 - (9) Defeasances;
 - (10) Release, substitution or sale of property securing repayment of the Bonds; and
 - (11) Rating changes; and
- d. In a timely manner to each NRMSIR or to the Municipal Securities Rulemaking Board and to the appropriate SID, if any, notice of a failure of the Bond Bank or any Borrower specified in paragraph (a) above to provide required annual financial information on or before the date it is required to be provided.

The Bond Bank, to the best of its knowledge, has not defaulted on any of its obligations under the Undertaking. Failure to provide the information required above pursuant to the Series Resolution shall not constitute an Event of Default with respect to the Bonds.

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THE NORTH DAKOTA MUNICIPAL BOND BANK

General

The North Dakota Municipal Bond Bank was established by the Bond Bank Act on July 1, 1975, as an instrumentality of the State exercising essential public and governmental functions.

The Bond Bank Act authorizes the Bond Bank to lend money to Political Subdivisions of the State through the purchase of municipal securities of political subdivisions. To finance such purchases of municipal securities, the Bond Bank is authorized by the Bond Bank Act to issue its bonds, in any amount, payable pursuant to the Bond Bank Act.

The Bond Bank is empowered to sue and be sued; to make, enter into and enforce contracts; to acquire, hold, use and dispose of monies or other personal property; to carry out its functions by officers, agents or employees or by contract; and to make and enforce bylaws, rules and regulations. It is not, however, a body corporate.

Pursuant to North Dakota Century Code Chapters 6-09.4 and 54-17, the Bond Bank is under the operation, control and management of the Industrial Commission, which oversees various enterprises of the State, and whose actions are the actions of the State acting in its sovereign capacity.

On June 26, 2001, the Industrial Commission appointed Mr. Tim Porter as Executive Director of the Bond Bank effective August 1, 2001, to serve at its pleasure. Ms. DeAnn Ament is the Bond Bank's Business Manager. Mr. Porter and Ms. Ament are the Bond Bank's only employees.

The costs and expenses of operation of the Bond Bank are financed from investment income and fees and charges imposed by the Bond Bank. Pursuant to the loan agreements with the various borrowers participating in the Bond Bank's financing programs, the Bond Bank may collect an administrative fee from the respective political subdivision. The administrative fee may be used to pay costs and expenses of operation of the Bond Bank.

Under the Bond Bank Act, all property of the Bond Bank, its transfer and the income therefrom, including any profits made on the sale thereof, are exempt from taxation within the State. In a written opinion of the Office of Attorney General, the income of the Bond Bank, as an instrumentality of the State, is exempt under existing law from Federal income taxes. Under the Bond Bank Act, all property of the Bond Bank in the State is exempt from levy and sale by virtue of an execution and no execution or judicial process may issue from any state court against such property nor may any judgment of a state court against the Bond Bank be a charge or lien upon its property. The foregoing does not limit the rights of the holder of any bond to pursue any remedy for the enforcement of any pledge or lien given by the Bond Bank on its revenues or other monies to secure the bonds.

The Bond Bank's offices are located at 700 East Main Avenue, Bismarck, North Dakota 58501. Its telephone number is 701/328-7100.

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Outstanding Debt of the State Revolving Fund Program

<u>Series</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (As of April 30, 2004)</u>
Series 1993 Bonds	10/01/14	\$ 20,220,000	\$ 5,090,000 ⁽¹⁾
Series 1995 Bonds	10/01/07	6,975,000	1,285,000 ⁽²⁾
Series 1996 Bonds	10/01/17	29,845,000	4,220,000 ⁽³⁾
Series 1998 Bonds	10/01/19	35,965,000	30,510,000
Series 2000 Bonds	10/01/21	16,725,000	15,295,000 ⁽⁴⁾
Series 2001 Bonds	10/01/21	23,725,000	23,280,000
Series 2003A Bonds	10/01/23	26,795,000	26,345,000
Series 2003B Bonds	10/01/17	<u>20,455,000</u>	<u>20,455,000</u>
Subtotal		<u>\$180,705,000</u>	<u>\$126,480,000</u>

- (1) Additionally, \$9,295,000 of the Series 1993 Bonds were defeased by the Series 2001 Bonds and were redeemed from proceeds on deposit in an escrow account at a price of 101% on October 1, 2003.
- (2) Additionally, \$3,715,000 of the Series 1995 Bonds were defeased by the Series 2001 Bonds and will be redeemed from proceeds on deposit in an escrow account at a price of 101% on October 1, 2005.
- (3) Additionally, \$19,740,000 of the Series 1996 Bonds were defeased by the Series 2003B Bonds and will be redeemed from proceeds on deposit in an escrow account at a price of 101% on October 1, 2006.
- (4) It is expected \$11,005,000 of Series 2000 Bonds will be defeased by the Series 2004A Bonds and will be redeemed from proceeds on deposit in an escrow account at a price of 100% on October 1, 2010.

Other Outstanding Debt of the Bond Bank

The Bond Bank was created for the purpose of lending money to political subdivisions of the State of North Dakota through the purchase of municipal obligations issued by such political subdivisions. To finance the purchase of the municipal obligations, the Bond Bank is authorized to issue its revenue bonds. The objective of the Bond Bank with respect to all of its financing programs is to provide a cost-effective financing alternative for local government issuers, many of whose funding needs are small or infrequent. The Capital Financing Program of the Bond Bank was initiated in 1990 and is a regularly used program because it offers financing for virtually all of the purposes permitted under North Dakota law.

The Capital Financing Program replaced an earlier loan program established under a 1977 General Bond Resolution. The 1989 Indenture is a stand-alone transaction completed for the purpose of refinancing outstanding Farmers Home Administration loans for rural water associations in the State. The 1989 Indenture was supplemented by a 1999 Supplemental Trust Indenture (the "1999 Indenture") for the purpose of refunding the 1989 Bonds.

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Capital Financing Program:

<u>Series</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (As of April 30, 2004)</u>
1990A through 1990O	12/01/05	\$ 3,750,000	\$ 45,000
1991A through 1991I	12/01/06	6,225,000	25,000
1992A through 1992K	06/01/07	13,535,000	135,000
1993A through 1993F	06/01/13	7,905,000	3,250,000
1994A through 1994C	06/01/14	6,305,000	145,000
1995A through 1995C	06/01/15	2,505,000	1,305,000
1996A through 1996D	06/01/16	3,365,000	775,000
1997A through 1997H	06/01/17	15,345,000	7,895,000
1998A through 1998E	06/01/23	9,695,000	6,280,000
1999A through 1999F	06/01/23	4,530,000	2,035,000
2000A through 2000B	10/25/01	4,215,000	--
2001A	06/01/21	735,000	685,000
2002A	06/01/28	1,700,000	1,605,000
2003A	06/01/28	<u>1,495,000</u>	<u>1,495,000</u>
Subtotal - Capital Financing Program		<u>\$81,305,000</u>	<u>\$25,675,000</u>

1989 Indenture (Insured Water System Refunding Revenue Bonds):

<u>Series</u>	<u>Final Maturity</u>	<u>Original Issuance</u>	<u>Outstanding Principal (As of April 30, 2004)</u>
1999A	04/01/14	\$ 8,875,000	\$ 5,815,000
1999B	04/01/15	<u>1,410,000</u>	<u>1,410,000</u>
Subtotal - 1989 Indenture		<u>\$10,285,000</u>	<u>\$ 7,225,000</u>
TOTAL OTHER OUTSTANDING DEBT			<u>\$32,900,000</u>

The Bond Bank has entered into a Standby Refunding Bond Purchase Agreement with the Central Dakota Irrigation District (the "District") under which the Bond Bank has committed to purchase through the Capital Financing Program or its successor, or from other legally available funds, refunding improvement bonds of the District at the times and in the amounts needed to refund any of the District's \$3,270,000 Taxable Improvement Warrants (the "Warrants") which the District is unable to pay when due. The Warrants are dated April 1, 1997, and have a final maturity date of February 1, 2012. The Warrants were issued by the District to acquire, construct, and install irrigation facilities within the District.

None of the financings listed above are payable from or secured by the Municipal Securities, the Loans or any amounts on deposit under the Master Trust Indenture.

Powers of Bond Bank Under State Revolving Fund Programs

The Bond Bank Act declares it to be the policy of the State to foster and promote the provision of adequate capital markets and facilities for borrowing money by political subdivisions for the financing of their respective public improvements. In pursuit of this policy, the State Revolving Fund Programs make funds available to political subdivisions and other entities eligible to receive a loan under the Bond Bank Act, the CWSRF Act and the DWSRF Act at reduced interest costs.

The Bond Bank Act limits entities which may participate in the Bond Bank's programs. Eligible Borrowers include local governmental units created under state law for local governmental or other public purposes, certain state

entities and member owned associations, or publicly owned and nonprofit corporations operating certain public water systems or other facilities or systems eligible for assistance under the CWSRF Act or the DWSRF Act.

Participation by a political subdivision in the Programs is entirely voluntary, and no political subdivision is required by law to sell its Municipal Securities to the Bond Bank. Neither is the Bond Bank required by law or contract to purchase any particular Municipal Securities.

The Bond Bank Act limits the evidences of debt eligible for the Bond Bank program to Municipal Securities, therein defined as bonds or evidences of debt issued by a political subdivision, but not including industrial development revenue bonds issued pursuant to the North Dakota Century Code Chapter 40-57, except for certain exempt facility bonds issued to provide a facility for the furnishing of water, a wastewater facility, or a nonpoint pollution control facility.

The Bond Bank Act requires that all Municipal Securities purchased and held by the Bond Bank be in fully marketable form, therein defined as duly executed and accompanied by an approving legal opinion of counsel acceptable to the Bond Bank or other purchasers of Municipal Securities.

The Bond Bank Act requires that the Bond Bank lend money to Borrowers only through purchasing such Municipal Securities as are in the opinion of the Attorney General of the State properly eligible for purchase by the Bond Bank under the Bond Bank Act.

The Bond Bank is authorized to take applications from prospective Borrowers to participate in the State Revolving Fund Programs; to require such information in the application as the Executive Director of the Bond Bank deems necessary or material; to consider the need and desirability of purchasing Municipal Securities issued by the applicant, the ability of such applicant to secure borrowed money from other sources and the cost thereof, and the particular public improvement or purpose to be financed by the Municipal Securities; to impose upon and collect charges from the applicant for its costs and services in review or consideration of any proposed purchase, whether or not such purchase is consummated; to accept or reject such application for any reason or for no reason; to negotiate and enter into agreements with Borrowers respecting the purchase of Municipal Securities; and to fix any and all terms, conditions and provisions of any such purchase and of the Municipal Securities acquired.

Political Subdivision Financing

Capital financing for political subdivisions in North Dakota under the Bond Bank's various programs will normally take one of five forms: (i) general obligation bonds, (ii) improvement warrants and refunding improvement bonds, (iii) revenue bonds, (iv) special authority indebtedness, and (v) lease financings.

- (i) General obligation bonds may be issued by a county, city, township, school district, park district, recreation service district or rural fire protection district, but with certain exceptions only if authorized by the electors. General obligation bonds are included in the indebtedness of the political subdivision for statutory and constitutional debt limit computations. They are secured by the full faith, credit and taxing powers of the political subdivision. Article X, Section 15 of the North Dakota Constitution provides that, subject to certain exceptions, the "debt" of any county, township, city, town, school district or any other political subdivision "shall never exceed five per centum upon the assessed value of the taxable property therein."
- (ii) Certain political subdivisions, generally limited to cities, but including other specially authorized political subdivisions, regularly finance construction of local improvements (e.g., water and water distribution projects, sewer and wastewater projects and related facilities, streets, curb and gutter and related requirements, boulevard, trees, flood protection, parking lots, parking ramps, garages and pedestrian bridge improvements) through the issuance of improvement warrants or bonds which may be refunded by the issuance of refunding improvement bonds. These obligations, issued as warrants or bonds, are payable primarily from special assessments levied upon properties benefited by the improvements. If the improvement is for sewer or water improvements or a parking facility, the political subdivision may pay a portion of the cost from the net revenues derived from the operation of the utility or project for which the improvement is constructed. Additionally, the political

subdivision may finance a portion of the cost of certain improvements not exceeding 20% of the cost with the levy of an ad valorem tax on all taxable property of the political subdivision. If special assessments collected or which are anticipated to be collected are insufficient (with any ad valorem taxes or utility revenues also pledged) to pay principal and interest when due on the improvement warrants (whether they have been refunded with bonds or not) issued with respect to that improvement, the political subdivision (which includes a county with respect to a recreation service district or an unincorporated rural area of a county) is obligated to levy, on all taxable property in the political subdivision, ad valorem taxes in an amount sufficient to make up the existing or anticipated deficiency.

Improvement warrants and refunding improvement bonds issued pursuant to this authority do not constitute debt within the meaning of the constitutional limitation of indebtedness discussed above. There is no other constitutional or statutory limitation on the amount of indebtedness which may be incurred by issuance of improvement warrants and refunding improvement bonds. However, to the extent, if at all, the political subdivision agrees to pay a portion of the cost of an improvement from ad valorem taxes, that portion constitutes a debt and is subject to the limitation on indebtedness.

- (iii) A political subdivision authorized by law may issue its revenue bonds to construct or acquire an undertaking (e.g., a water supply, treatment and distribution system, a sewer or wastewater collection and treatment facility, a storm sewer, a facility for the generation, transmission and production of natural gas, electric lighting, heating or other power generating or distribution system, the operation of parking lots, trailer courts and other motor vehicle facilities, the purchase, acquisition, establishment and maintenance of a public transportation system, the purchase, acquisition, construction and maintenance of an airport and related facilities and the purchase, acquisition, construction and maintenance of a hospital). With only minor exceptions the revenue bonds may be issued by the governing body of the political subdivision without a vote of the electors.

The revenue bonds upon issuance do not constitute debt within the meaning of the debt limit described above, nor is there any other limit on the amount of such bonds which may be issued. The revenue bonds are secured by a pledge and authorization of the use of net revenues of the facility or utility for the payment of principal and interest. Additionally, many times the political subdivision provides for the establishment of a reserve for the security of the bonds, in an amount equal to the maximum amount of principal and interest to become due on such bonds in any full calendar year, to be funded from revenues from the facility or utility. Certain specially authorized political subdivisions may further secure the maintenance of the reserve by funding any deficiency in the reserve with proceeds from the levy of an ad valorem property tax on all taxable property in the political subdivision.

- (iv) There are numerous special authorities established within political subdivisions such as counties and cities which can issue debt for various specific projects, facilities and undertakings, (e.g., rural fire protection districts, rural ambulance service districts, irrigation districts, water resource districts, airport and municipal airport authorities, municipal pipeline authorities, municipal power agencies, municipal steam heat authorities and special project authorities established jointly by two or more existing political subdivisions). Political subdivisions can also issue project specific debt for certain purposes (e.g. wastewater and solid waste bonds, seed, feed and fuel obligations, asbestos removal bonds and county governmental function bonds). All of these special authorities and types of debt are specifically authorized in addition to the three previously described types of debt, but are payable as general obligation bonds from ad valorem irreparable tax levies on all taxable property within the political subdivision or specially constituted authority, or from special assessments levied upon property benefited by the improvement and with certain exceptions backed by a deficiency levy upon all taxable property within the political subdivision or authority, and from revenues and fees received through the operation of the project, program, utility or facility, or from a combination of any of the three previously mentioned methods of securing payment of principal and interest on the obligations.
- (v) Additionally, political subdivisions with proper authority under State law are able to acquire equipment or real property under a financing lease. A municipal lease financing is based upon the agreement of the political subdivision to make lease payments, which may be subject to annual renewal or termination at the option of the political subdivision. The lease payments are made from monies appropriated annually from the political

subdivision's general, operating or capital improvement funds in accordance with applicable state law governing budgeting and appropriation.

Credit Review

The Credit Standards of the Bond Bank include review of three general areas, with a different emphasis on certain factors within these areas depending upon the nature of the underlying security for the Municipal Securities issued. In addition, the Bond Bank receives a credit analysis report on each potential participant from the Bank of North Dakota. All potential participants in a Bond Bank program are reviewed by an Advisory Committee, appointed by the Industrial Commission, for the purpose of making a recommendation to the Industrial Commission on the suitability of making a Loan to a Borrower. The Bond Bank reserves the right to analyze entities on a case-by-case basis for compliance with the Credit Standards. The Bond Bank also reserves the right to revise the Credit Standards without Bondholder's consent and to waive the Credit Standards applied to Borrowers applying for participation in the State Revolving Fund Programs.

The three areas of analysis considered by the Bond Bank and its Advisory Committee include (i) economic factors, (ii) existing debt including overlapping debt, and (iii) the administrative and financial operations of the Borrowers.

- (i) Economic factors affecting the political subdivision to be examined may include a review of recent trends and projections for population, tax revenues, future employment projections, potential economic development and the past history of economic development, the largest and type of employers and housing and employment figures when this information is available.
- (ii) Debt analysis will include the security to be utilized for repayment, review of a five year capital improvement plan, if one is available, overlapping debt from other taxing districts, documentation of the past five years of property tax collections and projections for property tax levies. The Bond Bank also reviews (a) the amount of outstanding debt including revenue, special assessment and general obligation debt which includes revenue and tax anticipation obligations presently outstanding for the political subdivision and the recent trends, if any, in the issuance of debt, (b) the history of payment of debt service on previously outstanding bonds to determine if any defaults have occurred in such payments, and (c) the assessed and taxable valuations of property within the jurisdiction of the political subdivision.

For revenue supported obligations the Borrowers must demonstrate that the revenue generated by the financed facility or revenue source will be equal to or greater than 120% of the amount needed to pay required average annual debt service on outstanding parity and new debt obligations following the deduction of sufficient funds for operation and maintenance costs to pay required annual debt service. Additionally, each Borrower will covenant in its Loan Agreement to charge rates sufficient to be equal to or greater than 120% of the amount needed to pay required average annual debt service on outstanding parity and new debt obligations following the deduction of sufficient funds for operation and maintenance costs to pay required annual debt service. The Bond Bank will review the ability of the Borrower to fund a reserve, and may require under certain conditions that such a reserve be established by the political subdivision for maintenance costs of the facility or for the payment of principal and interest on the incurred indebtedness. Additionally, the Bond Bank further requires that the projected fees to be charged to users of the system or facility be established in an amount sufficient within reasonable requirements, to maintain the required revenue coverage amount and provide funds for the payment of principal and interest on the bonds.

- (iii) An administrative and fiscal review will include an examination of any applicable property or other tax limitations applicable to the Borrower, an evaluation of the financial management, tax assessment and property valuation procedures of the Borrower, and a review of existing financial statements, the political subdivision's budget preparation and expenditure procedures and any trends in the budget operations and fund balances. Credible financial performance and the timely funding of mandated obligations along with the political subdivision's proven ability to adapt to budgetary changes will be reviewed. Also, if a capital improvement plan for the political subdivision has previously been utilized adherence to such a plan will be reviewed.

THE INDUSTRIAL COMMISSION OF NORTH DAKOTA

The State Legislature created the Industrial Commission in 1919 to conduct and manage, on behalf of the State, certain utilities, industries, enterprises and business projects established by State law. North Dakota law provides that the acts of the Industrial Commission constitute acts of the State functioning in its sovereign capacity. The members of the Industrial Commission are the Governor, the Attorney General and the Agriculture Commissioner and a quorum for the transaction of Industrial Commission business consists of the Governor and one additional member. The present members of the Industrial Commission, all of whom have been elected to their respective offices for four-year terms expiring December 14, 2004 (with respect to the Governor) and December 31, 2004 (with respect to the Attorney General and Agriculture Commissioner) are:

John Hoeven, Governor
Wayne Stenehjem, Attorney General
Roger Johnson, Agriculture Commissioner

The utilities, industries, enterprises and business projects conducted and managed by the Industrial Commission include (in addition to the Bond Bank): the Bank of North Dakota, the State Mill and Elevator, the North Dakota Geological Survey, and the North Dakota Housing Finance Agency. Additionally, the Industrial Commission exercises regulatory authority through its Oil and Gas Division. The Industrial Commission is also responsible for administering the North Dakota Building Authority and the State's secondary market for student loans through its Student Loan Program.

The Industrial Commission may employ staff or consultants and fix the salaries or conditions of such employment. Each State enterprise under the control of the Industrial Commission employs and is operated by a separate staff under the supervision of the Industrial Commission. The Attorney General of the State serves as the attorney for the Industrial Commission.

The Industrial Commission's offices are located at, and its mailing address is: Industrial Commission of North Dakota, State Capitol, Fourteenth Floor, 600 East Boulevard Avenue, Bismarck, North Dakota 58505. Its telephone number is 701/328-3722.

The Bond Bank Act provides that bonds of the Bond Bank be authorized by resolution of the Industrial Commission. The Bond Bank Act further authorizes the Industrial Commission to pledge assets of the Bank of North Dakota as security for the Bond Bank's bonds. No such assets have been pledged to the Bonds.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the issuance and delivery of the Series 2004A Bonds in order that interest on the Series 2004A Bonds be and remain excludable from gross income under Section 103 and related Sections of the Code. These requirements include, but are not limited to, (1) provisions which prescribe yield and other limits relative to the investment of the proceeds of the Bonds and other amounts, and (2) provisions which require that certain investment earnings be rebated periodically to the United States Treasury. Noncompliance with such requirements may cause interest on the Bonds to become includable in gross income for purposes of Federal income taxation retroactive to their date of original issue, irrespective in some cases of the date on which such noncompliance is ascertained.

Under present laws and rulings, interest on the Series 2004A Bonds is exempt from inclusion in gross income for purposes of federal income taxation. Interest on the Series 2004A Bonds is not an item of tax preference for purposes of the calculation of the alternative minimum tax imposed with respect to individuals and other taxpayers under the

Code. Interest on the Series 2004A Bonds will be included in the computation of “adjusted current earnings,” which may be taken into account in determining alternative minimum taxable income used in calculating the alternative minimum tax that may be imposed with respect to corporations. In addition, interest on the Series 2004A Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax.

Pursuant to the Bond Bank Act, the interest on the Series 2004A Bonds is exempt from all income taxation by the State of North Dakota.

The form of bond counsel opinion to be rendered with respect to the Series 2004A Bonds offered hereby is presented in Appendix D.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS

The Series 2004A Bonds will not be “qualified tax-exempt obligations” for purpose of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from gross income for federal income tax purposes interest expense that is allocable to acquiring and carrying tax-exempt obligations.

ORIGINAL ISSUE PREMIUM

Certain of the Series 2004A Bonds (Premium Bonds) may be offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of such Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be determined on the basis of the earliest call date that results in the lowest yield on that Premium Bond), compounded semiannually. No portion of such bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by that owner for that Series 2004A Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Series 2004A Bond to maturity will realize no gain or loss upon the retirement of that Series 2004A Bond.

UNDERWRITING

The Series 2004A Bonds offered hereby are being purchased from the Bond Bank by UBS Financial Services Inc., New York, New York (the “Underwriter”) at a purchase price of \$12,227,690.50 (which represents the principal amount of the Series 2004A Bonds, plus \$509,020.00 of net original issue premium and less \$71,329.50 of Underwriter's discount). The Bond Purchase Agreement provides that the Underwriter shall purchase all of the Series 2004A Bonds offered hereby if any are purchased, and that the obligation to make such purchase is subject to the approval of certain legal matters and certain other conditions.

VERIFICATION

The Bond Bank has retained Berens-Tate Consulting Group of Omaha, Nebraska, as verification agent (the “Verification Agent”) in connection with the issuance of the Series 2004A Bonds. The Verification Agent will verify the adequacy of the cash and securities placed in escrow to retire the bonds being called and will perform various yield calculations required under Section 103(c) of the Internal Revenue Code of 1954, as amended, upon which the Bond Counsel will rely in their determination that the Series 2004A Bonds are not “arbitrage bonds”.

FINANCIAL ADVISOR

The Bond Bank has retained Public Financial Management, Inc., of Minneapolis, Minnesota, as financial advisor (the “Financial Advisor”) in connection with the issuance of the Series 2004A Bonds. In preparing the Official Statement, the Financial Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Financial Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Financial Advisor is not a public accounting firm and has not been engaged by the Bond Bank to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Series 2004A Bonds.

Requests for information concerning the Bond Bank should be addressed to Public Financial Management, Inc., 45 South Seventh Street, Suite 2800, Minneapolis, Minnesota 55402 (612/338-3535).

RATING

Moody’s Investors Service, Inc. has assigned to the Series 2004A Bonds a rating of “Aaa”. The rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained only from Moody’s Investors Service, Inc. Generally, rating agencies base their ratings on the information and materials furnished to them and on investigation, studies and assumptions by the rating agencies. A security’s rating is not a recommendation to buy, sell or hold securities. The rating of the Series 2004A Bonds represents a judgment as to the likelihood of timely payment of the Series 2004A Bonds according to their terms, but does not address the likelihood of redemption or acceleration prior to maturity. There is no assurance that such rating will remain in effect for any given period of time or that it may not be lowered, suspended or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. Any such downward change in or suspension or withdrawal of such rating may have an adverse effect on the market price and marketability of the Series 2004A Bonds.

ABSENCE OF LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2004A Bonds, or prohibiting the Bond Bank from making Loans to Borrowers or purchasing Municipal Securities with the proceeds of Bonds, or in any way contesting or affecting the validity or tax exemption of any Series 2004A Bonds or any proceedings of the Department, the Bond Bank or the Industrial Commission taken with respect to the issuance or sale thereof, or the pledge or application of any monies or security

provided for the payment of the Series 2004A Bonds or the existence or necessary powers of the Department, the Bond Bank or the Industrial Commission or the exemption of the income of the Bond Bank from state or federal income taxes.

LEGALITY

The Series 2004A Bonds offered hereby are subject to the approving legal opinion of Faegre & Benson LLP, Minneapolis, Minnesota, as Bond Counsel. The opinion of Bond Counsel will be in substantially the form attached to this Official Statement as Appendix D. Bond Counsel will also pass upon certain additional matters for the Bond Bank and the Underwriter by separate opinion.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Bond Bank, the Industrial Commission or the Underwriter and the purchasers or holders of any of the Series 2004A Bonds.

The Appendices attached hereto are a part of this Official Statement.

The distribution of this Official Statement and its execution has been duly authorized by the North Dakota Municipal Bond Bank.

NORTH DAKOTA MUNICIPAL BOND BANK

By: /s/ Tim Porter
Executive Director

APPENDIX A

Selected Financial Information of Borrowers

Appendix A contains selective descriptions of participating Borrowers whose outstanding Loan amount (for fully funded Loans) or approved Loan amount under both State Revolving Fund Programs constitutes more than 10% of the aggregate amount of actual Loan amount (for fully funded Loans) and the approved Loan amount for Loans not yet fully funded.

In the future there may be additional Borrowers who become Obligated Persons meeting the objective criteria established pursuant to the Continuing Disclosure Undertaking. However, as of the date of this Official Statement, they cannot be and have not been identified. Information pertaining to such Borrowers will be disclosed once they become Obligated Persons.

The information in this Appendix A has been compiled for the following Borrowers from the applications and audited financial statements of the participating Borrowers which have been received by the Bond Bank.

<u>Borrower</u>	<u>Outstanding Loan Amount</u>	<u>% of Total</u>
City of Fargo	\$20,932,766	10.8%
City of Grand Forks	<u>63,470,803</u>	<u>32.8%</u>
Total	<u>\$84,403,569</u>	<u>43.6%</u>

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City of Fargo	A - 1
City of Grand Forks	A - 5

CITY OF FARGO

Population:

<u>Year</u>	<u>Population</u>
2004 (estimate)	96,449
2000	90,599
1990	74,111
1980	61,308

Employment:

	<u>Fargo/Moorhead MSA</u>		<u>Unemployment Rate</u>	
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>State of North Dakota</u>	<u>United States</u>
2004 ⁽¹⁾	109,506	2.3%	2.7%	5.6%
2003	108,824	2.8%	4.0%	6.0%
2002	107,271	2.5%	4.0%	5.8%
2001	104,927	1.9%	2.8%	4.8%
2000	102,375	2.0%	3.0%	4.0%
1999	101,163	2.0%	3.4%	4.2%
1998	103,318	1.7%	3.2%	4.5%
1997	102,019	1.8%	2.5%	5.0%
1996	97,786	2.5%	3.1%	5.3%

⁽¹⁾ April 2004 only.

Major Employers in the Fargo Metropolitan area:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
MeritCare Health System	Medical Care	3,961
North Dakota State University	Education	2,127
Blue Cross/Blue Shield	Health Insurance	1,434
Fargo Public Schools	Education	1,383
US Bank Service Center	Financial Services	1,089
Microsoft Business Solutions	Computer Software/Services	1,055
Case New Holland Corporation	Manufacturing	660
City of Fargo	Government	632
Department of Veteran Affairs	Medical Administration	620
Dakota Clinic, Ltd.	Medical Care	575
Forum Communications	Media	558
Community First Bankshares	Financial Services	539
US Postal Service	Postal Service	483
Innovis Health	Medical Care	477
Phoenix International	Manufacturing	449

Water System User Charge History:

<u>Year</u>	<u>First 200,000 Gallons</u>	<u>200,000 Gallons to 2,000,000 Gallons</u>	<u>Over 2,000,000 Gallons</u>
2004	\$3.30/gallon	\$3.05/gallon	\$2.70/gallon
2003	3.30/gallon	3.05/gallon	2.70/gallon
2002	3.30/gallon	3.05/gallon	2.70/gallon
2001	3.30/gallon	3.05/gallon	2.70/gallon
2000	3.30/gallon	3.05/gallon	2.70/gallon
1999	3.30/gallon	3.05/gallon	2.70/gallon
1998	3.30/gallon	3.05/gallon	2.70/gallon
1997	3.10/gallon	2.95/gallon	2.50/gallon
1996	2.90/gallon	2.65/gallon	2.30/gallon
1995	2.70/gallon	2.45/gallon	2.15/gallon

Sewer System User Charge History:

<u>Year</u>	<u>Residential Charge (Average)</u>	<u>Commercial Charge</u>
2004	\$13.70/Month	\$1.50/1000 gal
2003	13.05/Month	1.40/1000 gal
2002	12.40/Month	1.30/1000 gal
2001	11.75/Month	1.20/1000 gal
2000	11.10/Month	1.10/1000 gal
1999	10.45/Month	1.05/1000 gal
1998	9.80/Month	.95/1000 gal
1997	9.15/Month	.85/1000 gal
1996	8.50/Month	.75/1000 gal
1995	8.50/Month	.75/1000 gal

**Water and Sewer Revenue Debt Outstanding
(as of April 30, 2004):**

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Outstanding Balance</u>
1990	\$ 3,561,559 ⁽¹⁾	\$ 2,051,426
1993	7,770,000 ⁽¹⁾	4,570,000
1995	2,850,429 ⁽¹⁾	2,045,429
1997	47,815,000	38,400,000
1998	1,482,337 ⁽¹⁾	1,172,337
1998	10,781,484 ⁽¹⁾⁽²⁾	9,335,000
1999	210,000 ⁽¹⁾	170,000
2000	1,816,295 ⁽¹⁾	<u>1,595,000</u>
Total		<u><u>\$59,339,192</u></u>

⁽¹⁾ Purchased by the Bond Bank SRF Program.⁽²⁾ Not fully funded.

Sewer System Earnings History:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Operating Revenues:					
Charges for Services	\$ 5,896,967	\$ 5,461,086	\$ 5,026,220	\$ 4,569,100	\$4,207,827
Miscellaneous	<u>--</u>	<u>--</u>	<u>--</u>	<u>900</u>	<u>25</u>
Total Operating Revenues	<u>\$ 5,896,967</u>	<u>\$ 5,461,086</u>	<u>\$ 5,026,220</u>	<u>\$ 4,570,000</u>	<u>\$4,207,852</u>
Operating Expenses:					
Personal Services	\$ 951,672	\$ 821,807	\$ 702,962	\$ 661,059	\$ 585,576
Other Services	960,698	860,056	892,396	609,006	521,838
Materials and Supplies	728,625	802,488	777,967	708,003	641,840
Depreciation	<u>2,327,040</u>	<u>2,071,188</u>	<u>1,835,919</u>	<u>1,681,594</u>	<u>1,477,643</u>
Total Operating Expenses	<u>\$ 4,968,035</u>	<u>\$ 4,555,539</u>	<u>\$ 4,209,244</u>	<u>\$ 3,659,662</u>	<u>\$ 3,226,897</u>
Operating Income	<u>\$ 928,932</u>	<u>\$ 905,547</u>	<u>\$ 816,976</u>	<u>\$ 910,338</u>	<u>\$ 980,955</u>
Nonoperating Revenues (Expenses):					
Gain (loss) on Disposal of Assets	\$ --	\$ (64,930)	\$ 3,700	\$ (151,790)	\$ --
Interest Income	150,133	133,707	163,046	138,071	63,117
Interest Expense	(598,447)	(603,313)	(599,483)	(494,083)	(343,417)
Intergovernmental Revenue	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,454</u>	<u>90,916</u>
Total Nonoperating Revenues (Expenses)	<u>(448,314)</u>	<u>(534,536)</u>	<u>(432,737)</u>	<u>(502,348)</u>	<u>(189,384)</u>
Income Before Operating Transfers	<u>\$ 480,618</u>	<u>\$ 371,011</u>	<u>\$ 384,239</u>	<u>\$ 407,990</u>	<u>\$ 791,571</u>
Operating Transfers In (Out):					
General	(500,000)	(523,000)	(505,000)	(480,000)	(453,250)
Special Revenue	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Capital Projects	3,073,821	(263,477)	(1,333,540)	(1,083,153)	(407,798)
Debt Service	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Net Transfers	<u>\$ 2,561,821</u>	<u>\$ (798,477)</u>	<u>\$(1,850,540)</u>	<u>\$(1,575,153)</u>	<u>\$ (873,048)</u>
Net Income (Loss)	\$ 3,042,439	\$ (143,649)	\$(1,466,301)	\$(1,167,163)	\$ (81,477)
Retained Earnings (Deficit) - Beginning	<u>49,853,581*</u>	<u>(4,947,846)</u>	<u>(4,777,110)</u>	<u>(3,609,947)</u>	<u>(3,528,470)</u>
Retained Earnings (Deficit) - Ending	<u>\$52,896,020</u>	<u>\$(5,375,312)</u>	<u>\$(6,243,411)</u>	<u>\$(4,777,110)</u>	<u>\$(3,609,947)</u>

* Implemented GASB-34.

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Water Fund Earnings History:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Operating Revenues:					
Charges for Services	\$12,903,193	\$13,184,168	\$12,803,480	\$12,141,310	\$12,473,733
Miscellaneous	<u>--</u>	<u>--</u>	<u>--</u>	<u>102,450</u>	<u>72,574</u>
Total Operating Revenues	<u>\$12,903,193</u>	<u>\$13,184,168</u>	<u>\$12,803,480</u>	<u>\$12,243,760</u>	<u>\$12,546,307</u>
Operating Expenses:					
Personal Services	2,014,307	\$ 1,929,347	\$ 1,723,055	\$ 1,650,595	1,505,095
Other Services	1,925,659	1,745,961	1,494,392	1,338,566	730,646
Materials and Supplies	1,960,588	2,149,815	1,881,265	1,949,419	1,847,341
Depreciation	<u>2,522,993</u>	<u>2,028,965</u>	<u>2,300,065</u>	<u>2,137,412</u>	<u>2,130,183</u>
Total Operating Expenses	<u>\$ 8,423,547</u>	<u>\$ 7,854,077</u>	<u>\$ 7,398,777</u>	<u>\$ 7,075,592</u>	<u>\$ 6,213,265</u>
Operating Income	<u>\$ 4,479,646</u>	<u>\$ 5,330,091</u>	<u>\$ 5,404,703</u>	<u>\$ 5,167,768</u>	<u>\$ 6,333,042</u>
Nonoperating Revenues (Expenses):					
Gain (Loss) on Disposal of Assets	\$ 2,194	\$ (254,064)	\$ (131,275)	\$ (278,189)	\$ (259,172)
Interest Income	706,875	818,732	1,016,706	639,743	865,176
Interest Expense	(2,287,534)	(2,503,898)	(2,682,213)	(2,833,011)	(2,804,642)
Amortization Expense	(154,013)	(147,512)	(147,512)	(147,512)	(147,512)
Sales Tax Revenues	1,786,811	3,411,490	3,546,591	3,398,604	3,185,375
Other	<u>--</u>	<u>--</u>	<u>--</u>	<u>302</u>	<u>--</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 54,333</u>	<u>\$ 1,324,748</u>	<u>\$ 1,602,297</u>	<u>\$ 779,937</u>	<u>\$ 839,225</u>
Income Before Operating Transfers	<u>\$ 4,533,979</u>	<u>\$ 6,654,839</u>	<u>\$ 7,007,000</u>	<u>\$ 5,947,705</u>	<u>\$ 7,172,267</u>
Operating Transfers In (Out):					
General	\$ (1,699,000)	\$ (1,602,000)	\$ (1,398,000)	\$ (1,251,960)	\$ (1,153,000)
Special Revenue	(12,000)	(12,000)	(12,000)	(12,000)	(12,000)
Capital Projects	3,057,186	(2,474,795)	(1,982,963)	(1,476,836)	(1,668,384)
Enterprise	<u>(120,000)</u>	<u>40,000</u>	<u>(50,000)</u>	<u>(9,350)</u>	<u>(44,114)</u>
Total Net Transfers	<u>\$ 1,226,186</u>	<u>\$ (4,048,795)</u>	<u>\$ (3,442,963)</u>	<u>\$ (2,750,146)</u>	<u>\$ (2,887,498)</u>
Net Income (Loss)	\$ 5,760,165	\$ 2,606,044	\$ 3,564,037	\$ 3,197,559	\$ 4,294,769
Retained Earnings (Deficit) - Beginning	93,226,951*	28,627,980	25,063,943	21,866,384	17,537,612
Prior Period Adjustment	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>34,003</u>
Retained Earnings (Deficit) - Ending	<u>\$98,987,116</u>	<u>\$31,234,024</u>	<u>\$28,627,980</u>	<u>\$25,063,943</u>	<u>\$21,866,384</u>

* Implemented GASB-34.

CITY OF GRAND FORKS

Population:

<u>Year</u>	<u>Population</u>
2004 (estimate)	50,872
2000	49,321
1990	49,425
1980	43,765

Employment:

	<u>Grand Forks MSA</u>		<u>Unemployment Rate</u>	
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>State of North Dakota</u>	<u>United States</u>
2004 ⁽¹⁾	55,311	3.4%	2.7%	5.6%
2003	54,556	3.9%	4.0%	6.0%
2002	54,022	4.2%	4.0%	5.8%
2001	52,639	3.2%	2.8%	4.8%
2000	52,456	3.4%	3.0%	4.0%
1999	51,713	3.0%	3.4%	4.2%
1998	53,598	2.7%	3.2%	4.5%
1997	53,862	3.6%	2.5%	5.0%
1996	55,089	3.4%	3.1%	5.3%

⁽¹⁾ April 2004 only.

Major Employers in the City of Grand Forks:

<u>Firm</u>	<u>Type of Business</u>	<u>Number of Employees</u>
University of North Dakota	Education	5,472
Grand Forks Air Force Base	Military	4,029
Altru Health Systems	Health Care	3,400
Grand Forks School District	Education	1,150
Valley Memorial Home	Nursing Home	571
City of Grand Forks	Government	522
J.R. Simplot	Frozen Foods	430
Hugo's	Grocery Chain Store	409
American Crystal Sugar	Sugar Beet Processor	356
Grand Forks County	Government	270
Grand Forks Herald	Newspaper	170
American Woods	Cedar Lawn Furniture	80

Valuation for Taxes (2003):

Full and True Valuation:	\$1,948,020,128
Taxable Valuation:	91,556,946

History of Valuation:

<u>Levy Year</u>	<u>Full and True Valuation</u>	<u>Taxable Valuation</u>
2002	\$1,813,886,473	\$85,456,732
2001	1,750,385,853	82,509,247
2000	1,723,880,046	81,247,473
1999	1,616,356,702	76,076,977
1998	1,433,409,260	66,409,260

Sewer Revenue Debt Outstanding:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 04/30/04</u>
07/01/95	\$ 1,240,000	Sewer, Series 1995D	12/01/15	\$ 960,000 ^(a)
06/01/97	3,940,000	Sewer*	09/01/18	3,125,000 ^{(a)(b)}
07/29/97	13,700,000	Sewer*	09/01/18	10,880,000
10/19/98	4,290,000	Sewer*	09/01/18	1,910,000
12/01/99	2,100,000	Sewer, Series 1999D	12/01/19	1,825,000
04/01/01	1,880,000	Sewer, Series 2001B	06/01/08	1,115,000
06/05/01	13,781,500	Sewer, Series 2001D*	09/01/21	12,690,000
04/29/02	6,686,156	Sewer, Series 2002C*	09/01/22	5,676,143
05/01/02	1,100,000	Sewer, Series 2002E	12/01/09	830,000
Total				<u>\$39,011,143</u>

* Purchased by the Bond Bank under the SRF Program.

^(a) These issues are reserve revenue bonds which, in addition to net revenues of the respective utility, are secured by a reserve account and the City's ability to levy for an actual or anticipated deficiency in the reserve.

^(b) This issue is additionally secured by special assessments.

Storm Sewer Rate History:

<u>Year</u>	<u>Rate/Month</u>
2004	\$2.90 Minimum per property \$1.06 Per Runoff Unit (RU)
2003	\$2.90 Minimum per property \$1.06 Per Runoff Unit (RU)
2002	\$2.76 Minimum per property \$1.01 Per Runoff Unit (RU)
2001	\$2.76 Minimum per property \$1.01 Per Runoff Unit (RU)
2000	\$2.61 Minimum per property \$0.96 Per Runoff Unit (RU)
1999	\$2.61 Minimum per property \$0.96 Per Runoff Unit (RU)
1998	\$2.42 Minimum per property \$0.89 Per Runoff Unit (RU)
1997	\$2.20 Minimum per property \$0.81 Per Runoff Unit (RU)

RU (Commercial) = Lot square footage 0.0040

RU (Residential) = Lot square footage 0.0025

Wastewater Rate History:

<u>Year</u>	<u>(Includes 5,000 Gal/Month) Basic Service Connection</u>	<u>(Above 5,000 Gal/Month) Flow</u>	<u>(Industrial)* BOD Charge</u>	<u>(Industrial) Total Suspended Solids</u>
2004	\$ 9.20/Month	\$2.15/1,000 Gal.	\$0.1987/lb	\$0.0569/lb
2003	16.23/Month	1.96/1,000 Gal.	0.1892/lb	0.0542/lb
2002	12.72/Month	1.51/1,000 Gal.	0.1720/lb	0.0500/lb
2001	11.84/Month	1.34/1,000 Gal.	0.1360/lb	0.0415/lb
2000	10.64/Month	1.19/1,000 Gal.	0.1000/lb	0.0330/lb
1999	10.13/Month	1.13/1,000 Gal.	0.0524/lb	0.0230/lb
1998	9.65/Month	1.08/1,000 Gal.	0.0499/lb	0.0219/lb
1997	8.98/Month	1.00/1,000 Gal.	0.0464/lb	0.0204/lb

* Industrial Waste Surcharge. The rates applied in the surcharge formula are for treatment of pollutants in addition to the wastewater rentals.

Storm Sewer Fund Earnings History:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Total Operating Revenue	\$1,046,477	\$2,093,210	\$1,098,818	\$ 970,735	\$ 696,750
Total Operating Expenditures	465,535	502,517	441,637	560,178	370,745
Depreciation	<u>811,550</u>	<u>806,199</u>	<u>349,928</u>	<u>283,858</u>	<u>125,620</u>
Operating Income (Loss)	(230,608)	784,494	307,253	126,699	200,385
Total Nonoperating Revenue (Expenses)	(115,618)	1,074,204	(106,842)	(80,008)	(41,234)
Operating Transfers In (Out)	<u>139,732</u>	<u>138,540</u>	<u>52,410</u>	<u>131,300</u>	<u>171,539</u>
Net Income (Loss)	(206,494)	1,997,238	252,821	177,991	330,690
Retained Earnings - Beginning	<u>3,836,686</u>	<u>1,839,448</u>	<u>1,586,627</u>	<u>1,408,636</u>	<u>1,077,946</u>
Retained Earnings - Ending	<u>\$3,630,192</u>	<u>\$3,836,686</u>	<u>\$1,839,448</u>	<u>\$1,586,627</u>	<u>\$1,408,636</u>

Sewer Fund Earnings History:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Total Operating Revenue	\$ 5,188,292	\$ 4,863,448	\$ 4,205,369	\$ 3,594,907	\$ 3,738,522
Total Operating Expenditures	2,651,330	1,913,372	1,784,194	1,951,326	1,667,869
Depreciation	<u>2,082,658</u>	<u>2,011,359</u>	<u>1,682,502</u>	<u>1,664,051</u>	<u>1,592,818</u>
Operating Income (Loss)	454,304	938,717	738,673	(20,470)	477,835
Total Nonoperating Revenue (Expenses)	(869,757)	44,308	(434,657)	(457,973)	(160,037)
Operating Transfers In (Out)	<u>495,398</u>	<u>568,258</u>	<u>577,241</u>	<u>348,979</u>	<u>512,697</u>
Net Income (Loss)	79,945	1,551,283	881,257	(129,464)	830,495
Retained Earnings - Beginning	<u>15,187,075</u>	<u>13,635,791</u>	<u>12,754,535</u>	<u>\$12,883,999</u>	<u>\$12,053,504</u>
Retained Earnings - Ending	<u>\$15,267,020</u>	<u>\$15,187,075</u>	<u>\$13,635,792</u>	<u>\$12,754,535</u>	<u>\$12,883,999</u>

Water Revenue Debt Outstanding:

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Principal Outstanding as of 04/30/04</u>
07/01/95	\$ 2,100,000	Water, Series 1995C	06/01/15	\$ 1,650,000
08/01/97	1,935,000	Water, Series 1997B	06/01/08	1,085,000 ^(a)
05/01/99	13,200,000	Water*	09/01/20	8,534,362
12/01/99	1,850,000	Water, Series 1999E	12/01/19	1,610,000
11/01/00	7,895,000	Water, Series 2000D	09/01/20	<u>7,020,000</u>
Total				<u>\$19,899,362</u>

* Purchased by the Bond Bank under the SRF Program.

^(a) This issue is additionally secured by water utility revenues expected to be received from Air Force Base user fees and a contract between the City of Grand Forks and the federal government.

Water Rate History:

<u>Year</u>	<u>Basic Service Connection</u>	<u>First 30,000 Gallons Per Month</u>	<u>Nest 170,000 Gallons Per Month</u>	<u>Next 2,800,000 Gallons Per Month</u>	<u>Excess of 3,000,000 Gallons Per Month</u>
2004	\$5.00/Month	\$2.58/1,000 Gal.	\$2.58/1,000 Gal.	\$2.58/1,000 Gal.	\$2.58/1,000 Gal.
2003	4.39/Month	2.52/1,000 Gal.	2.32/1,000 Gal.	2.12/1,000 Gal.	1.93/1,000 Gal.
2002	4.39/Month	2.52/1,000 Gal.	2.32/1,000 Gal.	2.12/1,000 Gal.	1.93/1,000 Gal.
2001	4.39/Month	2.52/1,000 Gal.	2.32/1,000 Gal.	2.12/1,000 Gal.	1.93/1,000 Gal.
2000	4.23/Month	2.43/1,000 Gal.	2.24/1,000 Gal.	2.04/1,000 Gal.	1.86/1,000 Gal.
1999	4.23/Month	2.43/1,000 Gal.	2.24/1,000 Gal.	2.04/1,000 Gal.	1.86/1,000 Gal.
1998	3.68/Month	2.11/1,000 Gal.	1.95/1,000 Gal.	1.77/1,000 Gal.	1.62/1,000 Gal.
1997	3.44/Month	1.97/1,000 Gal.	1.82/1,000 Gal.	1.65/1,000 Gal.	1.51/1,000 Gal.

* Industrial Waste Surcharge. The rates applied in the surcharge formula are for treatment of pollutants in addition to the wastewater rentals.

Water Fund Earnings History:

	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Total Operating Revenue	\$ 6,776,951	\$ 7,095,706	\$ 6,215,697	\$ 6,924,454	\$ 5,892,403
Total Operating Expenditures	3,980,688	3,911,973	4,153,871	4,521,522	3,625,829
Depreciation	<u>1,731,775</u>	<u>1,712,064</u>	<u>1,436,779</u>	<u>1,251,605</u>	<u>1,211,440</u>
Operating Income (Loss)	1,065,088	1,471,669	625,047	1,151,327	1,055,134
Total Nonoperating Revenue (Expenses)	6,317,361	3,144,231	74,055	(87,475)	(62,363)
Operating Transfers In (Out)	<u>(1,161,028)</u>	<u>(209,875)</u>	<u>(415,305)</u>	<u>(269,980)</u>	<u>(97,705)</u>
Net Income (Loss)	6,221,421	4,406,025	283,797	793,873	895,066
Retained Earnings - Beginning	<u>36,079,818</u>	<u>31,673,793</u>	<u>31,389,996</u>	<u>30,596,124</u>	<u>29,701,058</u>
Retained Earnings - Ending	<u>\$42,301,239</u>	<u>\$36,079,818</u>	<u>\$31,673,793</u>	<u>\$31,389,996</u>	<u>\$30,596,124</u>

APPENDIX B

Clean Water and Drinking Water SRF Loans

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Tables B-1 and B-2 provide certain information with respect to Borrowers which have closed or approved Loans under the Clean Water SRF. For fully funded Loans, "Loan Balance" constitutes the outstanding Loan amount after principal payments, if any, received as of April 30, 2004. For Loans not fully funded, Loan Balance constitutes the Loan amount approved for funding by the Bond Bank.

Table B-1
North Dakota Municipal Bond Bank
Clean Water State Revolving Fund Participants
Closed Loans as of April 30, 2004

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Abercrombie	Special Assessment	09/01/99 - 09/01/18	2.50%	\$ 240,875	0.1%
Abercrombie	Special Assessment	09/01/01-09/01/20	2.50%	17,000	0.0%
Amenia	Sewer Revenue	09/01/01-09/01/20	2.50%	123,889	0.1%
Argusville	Special Assessment	09/01/97 - 09/01/16	2.50%	145,000	0.1%
Arthur	Sewer Revenue	09/01/98 - 09/01/16	2.50%	100,000	0.0%
Beach	Special Assessment	04/01/97 - 04/01/08	2.50%	212,000	0.1%
Berthold	Water Revenue	09/01/98 - 09/01/17	2.50%	58,275	0.0%
Bank of North Dakota	General Revenues ⁽²⁾	09/01/97 - 09/01/07	2.50%	1,500,000 ⁽¹⁾	0.7%
Bottineau	Sewer Revenue	09/01/97 - 09/01/11	2.50%	65,000	0.0%
Buffalo	Special Assessment	09/01/96 - 09/01/10	2.50%	17,850	0.0%
Buffalo	Special Assessment	09/01/00-09/01/19	2.50%	177,000	0.1%
Burlington	Sewer Revenue	10/01/95 - 10/01/14	2.50%	110,000	0.1%
Buxton	Special Assessment	09/01/00-09/01/09	2.50%	48,000	0.0%
Cando	Sewer Revenue	09/01/97 - 09/01/16	2.50%	185,000	0.1%
Cando	Landfill Revenue	09/01/96 - 09/01/15	2.50%	70,000	0.0%
Carrington	Water Revenue	09/01/98 - 09/01/17	2.50%	605,000	0.3%
Carrington	Water Revenue	09/01/96 - 09/01/15	2.50%	575,000	0.3%
Casselton	Collection Revenue	10/01/94 - 10/01/09	2.50%	60,000	0.0%
Casselton	Water Revenue	09/01/98 - 09/01/17	2.50%	1,190,000	0.6%
Casselton	Special Assessment	09/01/98 - 09/01/17	2.50%	85,000	0.0%
Christine	Sewer Revenue	09/01/99 - 09/01/18	2.50%	310,000	0.2%
Cogswell	Sewer Revenue	09/01/01 - 09/01/20	2.50%	70,000	0.0%
Colfax	Special Assessment	09/01/96 - 09/01/07	2.50%	12,000	0.0%
Cooperstown	Sewer Revenue	09/01/96 - 09/01/06	2.50%	15,000	0.0%
Cooperstown	Special Assessment	09/01/98 - 09/01/17	2.50%	95,000	0.0%
Cooperstown	Special Assessment	09/01/97 - 09/01/16	2.50%	830,000	0.4%
Cooperstown	Special Assessment	09/01/97 - 09/01/16	2.50%	165,000	0.1%
Courtenay	Sewer Revenue	09/01/04 – 09/01/23	2.50%	61,000 ⁽¹⁾	0.0%
Davenport	Water Revenue	09/01/96 - 09/01/15	2.50%	120,000	0.1%
Devils Lake	Landfill Revenue	10/01/96 - 10/01/15	2.50%	705,000	0.4%
Edmore	Water & Sewer Revenue	09/01/97 - 09/01/15	2.50%	37,428	0.0%
Ellendale	Special Assessment	09/01/96 - 09/01/06	2.50%	140,990	0.1%
Ellendale	Special Assessment	09/01/95 - 09/01/15	2.50%	60,000	0.0%
Emerado	Sewer Revenue	09/01/01 - 09/01/20	2.50%	370,000	0.2%
Enderlin	Water Revenue	09/01/98 - 09/01/17	2.50%	255,000	0.1%
Enderlin	Special Assessment	10/01/91 - 10/01/06	3.00%	110,000	0.1%
Enderlin	Special Assessment	09/01/01 - 09/01/20	2.50%	1,040,000	0.5%
Fargo	Water Revenue	09/01/97 - 09/01/17	2.50%	2,045,429	1.0%
Fargo	Sewer Revenue	10/01/94 - 10/01/14	2.50%	4,570,000	2.3%
Fargo	Water Revenue	10/01/91 - 10/01/14	3.00%	2,045,000	1.0%
Fargo	Sewer Revenue	09/01/99 - 09/01/18	2.50%	1,172,337	0.6%
Fargo	Sewer Revenue	09/01/00 - 09/01/19	2.50%	9,335,000	4.6%
Fargo	Sewer Revenue	09/01/99 - 09/01/18	2.50%	170,000	0.1%
Fargo	Special Assessment	09/01/00 – 09/01/19	2.50%	1,595,000	0.8%
Forman	Special Assessment	09/01/01 – 09/01/20	2.50%	122,000	0.1%
Frontier	Special Assessment	09/01/98 – 09/01/17	2.50%	75,000	0.0%
Gackle	Sewer Revenue	09/01/99 – 09/01/18	2.50%	92,000	0.0%

North Dakota Municipal Bond Bank
Clean Water State Revolving Fund Participants
Closed Loans as of April 30, 2004
(Continued)

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Grafton	Sewer Revenue	10/01/95 - 10/01/14	2.50%	\$ 240,000	0.1%
Grand Forks	Sewer Revenue	09/10/99 - 09/01/18	2.50%	3,125,000	1.6%
Grand Forks	Sewer Reserve Revenue	09/01/99 - 09/01/18	2.50%	10,880,000	5.4%
Grand Forks	Special Assessment	09/01/99 - 09/01/18	2.50%	1,910,000	1.0%
Grand Forks	Sewer Revenue	09/01/02 – 09/01/21	2.50%	12,690,000	6.3%
Grand Forks	Special Assessments	09/01/02 – 09/01/21	2.50%	1,835,570 ⁽¹⁾	0.9%
Grand Forks	Special Assessments	09/01/02 – 09/01/21	2.50%	3,094,077 ⁽¹⁾	1.5%
Grand Forks	Sewer Revenue	09/01/03 – 09/01/22	2.50%	6,686,156 ⁽¹⁾	3.3%
Grandin	Sewer Revenue	09/01/99 - 09/01/18	2.50%	75,000	0.0%
Granville	Sewer Revenue	09/01/98 - 09/01/09	2.50%	21,000	0.0%
Gwinner	Sewer Revenue	09/01/99 - 09/01/19	2.50%	210,000	0.1%
Hankinson	Special Assessment	09/01/00 - 09/01/19	2.50%	74,000	0.0%
Hankinson	Special Assessment	09/01/01 - 09/01/20	2.50%	75,000	0.0%
Hankinson	Special Assessments	09/01/02 – 09/01/21	2.50%	1,343,000	0.7%
Hankinson	Sewer Revenue	09/01/04 – 09/01/23	2.50%	133,790	0.1%
Harvey	Water Revenue	09/01/97 - 09/01/16	2.50%	340,000	0.2%
Harvey	Sewer Revenue	09/01/02 – 09/01/21	2.50%	63,281	0.0%
Harvey	Sewer Revenue	09/01/04 – 09/01/23	2.50%	145,000 ⁽¹⁾	0.1%
Hebron	Sewer Revenue	09/01/02 – 09/01/21	2.50%	114,000	0.1%
Hettinger	Water Revenue	09/01/97 - 09/01/16	2.50%	121,000	0.1%
Hillsboro	Sewer Revenue	09/01/00 - 09/01/09	2.50%	205,000	0.1%
Horace	Water Revenue	09/01/98 - 09/01/17	2.50%	165,000	0.1%
Hunter	Sewer Revenue	09/01/01 – 09/01/20	2.50%	132,000	0.1%
Hunter	Sewer Revenue	09/01/04 – 09/01/23	2.50%	41,930	0.0%
Jamestown	Special Assessment	09/01/97 - 09/01/16	2.50%	4,880,000	2.4%
Jamestown	Sewer Revenue	09/01/98 - 09/01/17	2.50%	6,610,000	3.3%
Jamestown	Sewer Revenue	09/01/97 - 09/01/16	2.50%	1,700,000	0.8%
Jamestown	Sewer Revenue	10/01/94 - 10/01/14	2.50%	930,000	0.5%
Jamestown	Solid Waste Revenue	10/01/96 - 10/01/15	2.50%	830,000	0.4%
Jamestown	Special Assessment	09/01/00-09/01/14	2.50%	360,000	0.2%
Jamestown	Special Assessment	09/01/00-09/01/14	2.50%	605,000	0.3%
Jamestown	Sewer Revenue	09/01/01 – 09/01/16	2.50%	330,000	0.2%
Jamestown	Special Assessment	09/01/04 – 09/01/23	2.50%	1,551,000 ⁽¹⁾	0.8%
Kindred	Sewer Revenue	09/01/98 - 09/01/16	2.50%	89,498	0.0%
Kindred	Special Assessment	09/01/00 - 09/01/19	2.50%	935,000	0.5%
Kulm	Sewer Revenue/S.A.	09/01/02 – 09/01/21	2.50%	678,640 ⁽¹⁾	0.3%
Lake Metigoshe Recreation Service District	Special Assessment	10/01/93 - 10/01/13	2.50%	156,263	0.1%
Lake Metigoshe Recreation Service District	Special Assessment	09/01/02 – 09/01/21	2.50%	485,400 ⁽¹⁾	0.2%
Lakota	Sewer Revenue	09/01/99 - 09/01/17	2.50%	1,500,000	0.7%
Lidgerwood	Special Assessment	09/01/01 – 09/01/20	2.50%	79,000	0.0%
Linton	Sewer Revenue	09/01/03 – 09/01/22	2.50%	92,000	0.0%
Lisbon	Sewer Revenue	09/01/96 - 09/01/07	2.50%	40,000	0.0%
Lisbon	Sewer Revenue	09/01/00-09/01/19	2.50%	74,000	0.0%
Lisbon	Special Assessments	09/01/01 – 09/01/20	2.50%	625,000	0.3%
Litchville	Sewer Revenue	09/01/04 – 09/01/23	2.50%	186,900 ⁽¹⁾	0.1%
Mandan	Water Revenue	09/01/98 - 09/01/17	2.50%	4,345,000	2.2%
Mantador	Sewer Revenue	09/01/04 – 09/01/23	2.50%	50,000	0.0%
Manvel	Special Assessment	09/01/97 - 09/01/16	2.50%	340,000	0.2%

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Mapleton	Sewer Revenue	09/01/98 - 09/01/12	2.50%	95,000	0.0%
Mapleton	Sewer Revenue	09/01/03 – 09/01/22	2.50%	77,290	0.0%
Max	Special Assessment	09/01/96 - 09/01/15	2.50%	45,000	0.0%
Mayville	Special Assessment	09/01/02 – 09/01/21	2.50%	990,000	0.5%
Mayville	Special Assessment	09/01/02 – 09-01/21	2.50%	1,079,393	0.5%
Mayville	Special Assessments	09/01/03 – 09/01/22	2.50%	3,075,000 ⁽¹⁾	1.5%

North Dakota Municipal Bond Bank
Clean Water State Revolving Fund Participants
Closed Loans as of April 30, 2004
(Continued)

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Medina	Sewer Revenue	09/01/97 - 09/01/10	2.50%	\$ 30,000	0.0%
Minnewauken	Special Assessment	09/01/98 - 09/01/17	2.50%	165,000	0.1%
Minot	Reserve Revenue	10/01/93 - 10/01/13	2.50%	360,000	0.2%
Minot	Reserve Revenue	10/01/92 - 10/01/05	3.00%	149,386	0.1%
Morton County Water Resources District	Special Assessments	09/01/02 – 09/01/21	2.50%	258,000 ⁽¹⁾	0.1%
Mott	Sewer Revenue	09/01/96 - 09/01/15	2.50%	130,000	0.1%
Napoleon	Sewer Revenue	09/01/97 - 09/01/16	2.50%	100,000	0.0%
Northwood	Sewer Revenue	10/01/93 - 10/01/13	2.50%	655,000	0.3%
Northwood	Sewer Revenue	09/01/95 - 09/01/14	2.50%	135,000	0.1%
Oakes	Sewer Revenue	09/01/03 – 09/01/17	2.50%	101,000	0.1%
Oakes	Sewer Revenue	09/01/04 – 09/01/23	2.50%	746,350 ⁽¹⁾	0.4%
Oakes	Sewer Revenue/S.A.	09/01/04 – 09/01/23	2.50%	635,000 ⁽¹⁾	0.3%
Oriska	Sewer Revenue	09/01/97 – 09/01/16	2.50%	14,001	0.0%
Page	Special Assessment	09/01/97 – 09/01/16	2.50%	31,031	0.0%
Park River	Special Assessment	09/01/97 – 09/01/11	2.50%	39,200	0.0%
Park River	Landfill Revenue	09/01/96 – 09/01/15	2.50%	340,000	0.2%
Portland	Sewer Revenue	09/01/97 – 09/01/16	2.50%	53,547	0.0%
Portland	Sewer Revenue	90/01/04 – 09/01/23	2.50%	400,000 ⁽¹⁾	0.2%
Rolette	Sewer Revenue	09/01/04 – 09/01/23	2.50%	94,000	0.0%
Sanborn	Sewer Revenue	09/01/99 – 09/01/13	2.50%	50,000	0.0%
Sanborn	Sewer Revenue	09/01/02 – 09/01/21	2.50%	29,400	0.0%
Southeast Cass Water Dist	Special Assessment	09/01/99 – 09/01/ 18	2.50%	164,000	0.1%
Stanley	Sewer Revenue	09/01/99 – 09/01/08	2.50%	62,000	0.0%
Taylor	Sewer Revenue	09/01/99 – 09/01/13	2.50%	40,000	0.0%
Tower City	Sewer Revenue/S.A.	09/01/02 – 09/01/21	2.50%	590,000 ⁽¹⁾	0.3%
Wahpeton	Sewer Revenue	10/01/93 – 10/01/14	2.50%	622,366	0.3%
Wahpeton	Special Assessments	09/01/04 – 09/01/23	2.50%	374,065	0.2%
Ward County Water Dist	Special Assessment	09/01/01 – 09/01/20	2.50%	700,000	0.3%
West Fargo	Sewer Revenue	10/01/93 – 10/01/13	2.50%	100,000	0.0%
Williston	Landfill Revenue	10/01/95 – 10/01/09	2.50%	117,835	0.1%
Williston	Sewer Revenue	09/01/98 – 09/01/10	2.50%	135,000	0.1%
Williston	Sewer Revenue	09/01/98 – 09/01/10	2.50%	275,000	0.1%
Williston	Sewer Revenue	09/01/02 – 09/01/21	2.50%	1,035,000	0.5%
Williston	Sewer Revenue	09/01/02 – 09/01/21	2.50%	1,155,000	0.6%
Wimbledon	Sewer Revenue	09/01/00 - 09/01/19	2.50%	63,000	0.0%
Wishek	Special Assessment	09/01/99 - 09/01/18	2.50%	<u>115,000</u>	<u>0.1%</u>
Total Clean Water SRF Loans Receivable				<u>\$117,721,442</u>	<u>58.6%</u>

⁽¹⁾ Not Fully Funded.

⁽²⁾ Loan proceeds are being used by the Bank of North Dakota to make loans to individual irrigators for irrigation purposes; the Loan is payable from and secured by general revenues of the Bank of North Dakota.

The following Borrowers have Loan applications approved under the Clean Water SRF, but do not yet have executed Loan Agreements with the Bond Bank.

Table B-2
North Dakota Municipal Bond Bank
Clean Water State Revolving Fund Program Participants
Approved Loans as of April 30, 2004

<u>Political Subdivision</u>	<u>Security</u>	<u>Loan Interest Rate</u>	<u>Approved Amount</u>	<u>% of Total Loan Balance</u>
Lincoln	Special Assessments	2.50%	\$ <u>418,400</u>	<u>0.2%</u>
Total Approved (not Closed) Loans			\$ <u>418,400</u>	<u>0.2%</u>
Aggregate Closed and Approved Loans - Clean Water SRF			<u>\$118,139,842</u>	<u>58.8%</u>

(The remainder of this page has been left blank intentionally.)

Tables B-3 and B-4 provide certain information with respect to Borrowers which have closed or approved Loans under the Drinking Water SRF. For fully funded Loans, “Loan Balance” constitutes the outstanding Loan amount after principal payments, if any, received as of April 30, 2004. For Loans not fully funded, “Loan Balance” constitutes the Loan amount approved for funding by the Bond Bank.

Table B-3
North Dakota Municipal Bond Bank
Drinking Water State Revolving Fund Participants
Closed Loans as of April 30, 2004

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Aneta	Water Revenue	09/01/04 – 09/01/23	2.50%	\$ 185,000 ⁽¹⁾	0.1%
Argusville	Special Assessments	09/01/04 – 09/01/23	2.50%	600,000 ⁽¹⁾	0.3%
Barnes Rural Water Dist.	Water Revenue	09/01/04 – 09/01/23	2.50%	816,000 ⁽¹⁾	0.4%
Cass Rural Water Users Dist.	Water Revenue	09/01/04 – 09/01/23	2.50%	1,935,200 ⁽¹⁾	1.0%
Casselton	Water Revenue	09/01/04 – 09/01/23	2.50%	1,547,000 ⁽¹⁾	0.8%
Cleveland	Water Revenue	09/01/03 – 09/01/22	2.50%	179,406	0.1%
Cooperstown	Water Revenue	09/01/01 – 09/01/20	2.50%	264,000	0.1%
Drayton	Special Assessments	09/01/03 – 09/01/12	2.50%	141,000 ⁽¹⁾	0.1%
Enderlin	Special Assessments	09/01/01 – 09/01/20	2.50%	170,000	0.1%
Enderlin	Water Revenue	09/01/09 – 09/01/22	2.50%	84,000	0.0%
Finley	Special Assessment	09/01/01 – 09/01/20	2.50%	2,281,600	1.1%
Grafton	Water Revenue	09/01/02 – 09/01/21	2.50%	275,000	0.1%
Grafton	Water Revenue	09/01/04 – 09/01/23	2.50%	1,150,000 ⁽¹⁾	0.6%
Grand Forks	Water Revenue	09/01/01 – 09/01/20	2.50%	13,200,000 ⁽¹⁾	6.6%
Grand Forks	Water Revenue	09/01/02 – 09/01/21	2.50%	10,050,000 ⁽¹⁾	5.0%
Grand Forks – Traill Water	Water Revenue	09/01/03 – 09/01/22	2.50%	3,855,000	1.9%
Hankinson	Special Assessment	09/01/02 – 09/01/21	2.50%	345,000	0.2%
Harvey	Special Assessments	09/01/02 – 09/01/21	2.50%	412,076	0.2%
Harwood	Special Assessment	09/01/02 – 09/01/21	2.50%	800,514	0.4%
Langdon	Water Revenue	09/01/03 – 09/01/22	2.50%	650,000 ⁽¹⁾	0.3%
Larimore	Water Revenue	09/01/03 – 09/01/22	2.50%	2,300,000 ⁽¹⁾	1.1%
Linton	Water Revenue	09/01/03 – 09/01/22	2.50%	545,000	0.3%
Lisbon	Special Assessment	09/01/01 – 09/01/20	2.50%	790,000	0.4%
Lisbon	Water Revenue/S.A.	09/01/02 – 09/01/21	2.50%	425,000	0.2%
Lisbon	Water Revenue/S.A.	09/01/02 – 09/01/21	2.50%	383,522	0.2%
Lisbon	Water Revenue	09/01/04 – 09/01/23	2.50%	410,000 ⁽¹⁾	0.2%
Mandan	Water Revenue	09/01/02 – 09/01/21	2.50%	4,235,000 ⁽¹⁾	2.1%
Mayville	Special Assessment	09/01/02 – 09/01/21	2.50%	945,000	0.5%
New Rockford	Water Revenue	09/01/99 – 09/01/18	2.50%	230,000	0.1%
North Valley Water Dist	Water Revenue	09/01/03 – 09/01/22	2.50%	4,035,000	2.0%
Oakes	Water Revenue	09/01/04 – 09/01/23	2.50%	165,000 ⁽¹⁾	0.1%
Oxbow	Special Assessments	09/01/02 – 09/01/21	2.50%	435,000	0.2%
Park River	Special Assessment	09/01/99 – 09/01/16	2.50%	200,000	0.1%
Ramsey County Water Dist.	Water Revenue	09/01/03 – 09/01/22	2.50%	3,482,000 ⁽¹⁾	1.7%
Sawyer	Water Revenue	09/01/01 – 09/01/14	2.50%	107,000	0.1%
Southeast Water Users	Water Revenue	09/01/02 – 09/01/21	2.50%	55,000	0.0%
Southeast Water Users	Water Revenue	09/01/03 – 09/01/22	2.50%	1,395,000	0.7%
St. John	Water Revenue	09/01/00 – 09/01/19	2.50%	351,000	0.2%
State Water Commission	Water Revenue	09/01/01 – 09/01/20	2.50%	1,350,000	0.7%
Stutsman Rural Water Users	Water Revenue	09/01/01 – 09/01/20	2.50%	590,000	0.3%
Tioga	Water Revenue	09/01/99 – 09/01/09	2.50%	26,400	0.0%
Valley City	Water Revenue	09/01/01 – 09/01/20	2.50%	1,325,000	0.7%
Wahpeton	Water Revenue	09/01/00 – 09/01/19	2.50%	280,000	0.1%
Wahpeton	Special Assessments	09/01/04 – 09/01/23	2.50%	1,890,000 ⁽¹⁾	0.9%
Walsh Rural Water District	Water Revenue	09/01/01 – 09/01/20	2.50%	2,640,000	1.3%
Williston	Water Revenue/S. A.	09/01/00 – 09/01/19	2.50%	3,600,000	1.8%

<u>Political Subdivision</u>	<u>Security</u>	<u>Maturities</u>	<u>Loan Interest Rate</u>	<u>Loan Balance</u>	<u>% of Total Loan Balance</u>
Williston	Water Revenue	09/01/04 – 09/01/23	2.50%	<u>4,600,000⁽¹⁾</u>	<u>2.3%</u>
Total Drinking Water SRF Loans Receivable				<u>\$ 75,730,718</u>	<u>37.7%</u>

⁽¹⁾ Not Fully Funded.

The following Borrowers have Loan applications approved under the Drinking Water SRF, but do not yet have executed Loan Agreements with the Bond Bank.

Table B-4
North Dakota Municipal Bond Bank
Drinking Water State Revolving Fund Program Participants
Approved Loans as of April 30, 2004

<u>Political Subdivision</u>	<u>Security</u>	<u>Loan Interest Rate</u>	<u>Approved Amount</u>	<u>% of Total Loan Balance</u>
Abercrombie	Water Revenue	2.50%	\$ 300,000	0.1%
Harvey	Water Revenue	2.50%	703,000	0.3%
Leeds	Water Revenue	2.50%	179,000	0.1%
Lincoln	Water Revenue	2.50%	265,000	0.1%
Lincoln	Special Assessments	2.50%	447,000	0.2%
Stutsman Rural Water Dist.	Water Revenue	2.50%	160,000	0.1%
Williston	Water Revenue	2.50%	<u>5,000,000</u>	<u>2.5%</u>
Total Approved (not Closed) Loans			<u>\$ 7,054,000</u>	<u>3.5%</u>
Aggregate Closed and Approved Loans - Drinking Water SRF			<u>\$82,784,718</u>	<u>41.2%</u>

As of April 30, 2004, the total amount of closed loans under the Programs is \$193,452,160 (96.3% of the total loan balance), while the total amount of Loans approved but not closed under the Programs is \$7,472,400 (3.7% of the total loan balance). The grand total of all closed and approved Loans is \$200,924,560.

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APPENDIX C

Summary of Certain Provisions of the Master Trust Indenture

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The following is a brief summary of certain provisions of the Master Trust Indenture and is not to be considered as a full statement of the provisions of the Master Trust Indenture. The summary is qualified by reference to and is subject to the complete Master Trust Indenture, copies of which may be examined at the offices of the Bond Bank.

Funds and Accounts

Creation of Funds and Accounts. There are created in the Master Trust Indenture the following Funds for each of the State Revolving Fund Programs:

- (a) Loan Fund.
- (b) Administration Fund.
- (c) Revenue Fund.
- (d) Bond Fund.
- (e) Reserve Fund.

The Master Trust Indenture creates the separate accounts described below in each Fund, and permits the creation of separate accounts in each Fund for each series of Bonds or for other purposes.

Loan Fund. The Loan Fund for each State Revolving Fund consists of three accounts: a State Match Loan Account, a Leveraged Loan Account and a Federally Capitalized Loan Account. In addition to monies that may be deposited therein at the discretion of the Bond Bank, the State Match Portion of the proceeds of each Series of Bonds is to be deposited in the State Match Loan Account, and the Leveraged Portion of the proceeds of each Series of Bonds is to be deposited in the Leveraged Loan Account. The Federally Capitalized Loan Account will be funded with proceeds of draws on the EPA-ACH, monies transferred from the Restricted Revenue Account of the Revenue Fund, and other monies transferred at the direction of the Bond Bank. The Loan Fund is to be used to make loans to Borrowers through the purchase of Municipal Securities, as provided in the Bond Bank Act, the CWSRF Act, the DWSRF Act, and the Master Trust Indenture. All loans to Borrowers must be evidenced by Municipal Securities and must comply with the applicable Series Resolution and Loan Agreement and the Master Trust Indenture.

Administration Fund. The Administration Fund for each State Revolving Fund consists of an SRF Administration Account and a State Administration Account. From the proceeds of each Series of Bonds, an amount sufficient to pay Costs of Issuance is to be deposited in the State Administration Account and used to pay Costs of Issuance. In addition, fees paid by Borrowers pursuant to their Loan Agreements are to be deposited in the State Administration Account and used to pay administrative costs of the Program at the direction of the Bond Bank. The Clean Water SRF Administration Account will be funded from that portion of each draw on the EPA-ACH and that portion, if any, of the proceeds of the Clean Water State Match Portion of a Series of Bonds which have been designated by the Bond Bank for payment of administrative costs of the Clean Water Program and which are permitted to be applied for that purpose under the Clean Water Act. The Drinking Water SRF Administration Account will be funded from draws on the EPA-ACH which are permitted to be applied for that purpose under the Drinking Water Act.

In addition, the Administration Fund for the Drinking Water SRF contains a Technical Assistance Subaccount and Source Water Assessment Subaccount. The Department expects to deposit in the Technical Assistance Subaccount the permitted 2% allotment pursuant to the Drinking Water Act which may be set-aside for technical assistance to public water systems serving fewer than 10,000 people.

Revenue Fund. The Revenue Fund for each State Revolving Fund consists of an Unrestricted Revenue Account and a Restricted Revenue Account. All payments of principal of, premium (if any) on and interest on Municipal Securities shall be deposited in the respective Revenue Fund as follows:

- (a) Amounts received as principal of or premium on a Municipal Security shall be deposited in the Restricted Revenue Account; and
- (b) Amounts received as interest on a Municipal Security shall be deposited in the Unrestricted Revenue Account.

Monies on deposit in the Restricted Revenue Account are to be transferred to the Leveraged Bond Account of the Bond Fund on or before each Bond Payment Date, to be used to pay the Leveraged Portion of principal and interest on the Bonds. Monies on deposit in the Unrestricted Revenue Account of the Revenue Fund are to be transferred to the State Match Bond Account of the Bond Fund on or before each Bond Payment Date, to be used to pay the State Match Portion of principal of and interest on the Bonds. In addition, any amounts remaining on deposit in the Unrestricted Revenue Account after transfer of an amount sufficient to pay the State Match Portion of the principal of and interest on the Bonds may be used in the following order: (i) to pay any unpaid portion of the Leveraged Portion of principal of and interest on the Bonds; (ii) to replenish the amount in the Reserve Fund to satisfy the Total Reserve Requirement or the State Match Reserve Requirement, by transfer to the Unrestricted Reserve Account of the Reserve Fund; and (iii) to be transferred to any other Fund or Account, other than the State Administration Account of the Administration Fund and the Special Reserve Account of the Reserve Fund. Monies remaining on deposit in the Restricted Revenue Account of the Revenue Fund after transfer to the Leveraged Bond Account of an amount sufficient to pay the Leveraged Portion of the principal of and interest on the Bonds must be used, first, to restore any deficiency in the Total Reserve Requirement by transfer to the Restricted Reserve Account of the Reserve Fund, and second, to be deposited in either the Restricted Reserve Account of the Reserve Fund or the Federally Capitalized Loan Account of the Loan Fund as the Bond Bank may direct. However, transfers from the Unrestricted Revenue Account or Restricted Revenue Account of the Revenue Fund may not be made unless there remains in such account one-half of the principal payable from such Account during the next six months. Balances in the Restricted Revenue Account not transferred to other Accounts are deposited in the Restricted Cumulative Excess Subaccount until the Bond Bank directs another disposition. Balances in the Unrestricted Revenue Account not transferred to other Accounts are deposited in the Unrestricted Cumulative Excess Subaccount until the Bond Bank directs another disposition.

Any balances retained in the Unrestricted Cumulative Excess Subaccount of the Unrestricted Revenue Account and Restricted Cumulative Excess Subaccount of the Restricted Revenue Account of the Revenue Fund of a State Revolving Fund, may at the direction of the Bond Bank be transferred to any Fund or Account under the other State Revolving Fund; provided that (i) after giving effect to the transfer the coverage requirements specified for the issuance of Additional Bonds would be met for all outstanding Bonds, and (ii) the transfer is within the limits and made in accordance with the procedures required by law or otherwise authorized by EPA.

Bond Fund. The Bond Fund for each State Revolving Fund consists of a State Match Bond Account and a Leveraged Bond Account. On each Bond Payment Date, monies in the Leveraged Bond Account of the Bond Fund shall be used to pay the Leveraged Portion of principal of and interest on the Bonds then due and payable, and monies in the State Match Bond Account of the Bond Fund shall be used to pay the State Match Portion of principal of and interest on the Bonds then due and payable. In the event monies available to be transferred to the Leveraged Bond Account from the Restricted Revenue Fund are insufficient to pay the Leveraged Portion of principal of and interest on the Bonds then due and payable, the Trustee shall transfer funds to the Leveraged Bond Account to make up such deficiency from the following sources in the following order:

- (a) First, from the Restricted Reserve Account of the Reserve Fund;
- (b) Second, from the Unrestricted Revenue Account of the Revenue Fund;
- (c) Third, from the Unrestricted Reserve Account of the Reserve Fund;
- (d) Fourth, from certain Excess Revenues of the other State Revolving Fund Program; and
- (e) Fifth, from any other available Fund or Account established under the Master Trust Indenture.

In the event of a deficiency in the amount transferred from the Unrestricted Revenue Account of the Revenue Fund to the State Match Bond Account of the Bond Fund, the Trustee shall transfer funds to the State Match Bond Account to make up the deficiency from the following sources in the following order:

- (a) First, from the Special Reserve Account of the Reserve Fund;
- (b) Second, from the Unrestricted Revenue Account of the Revenue Fund;
- (c) Third, from the Unrestricted Reserve Account of the Reserve Fund;
- (d) Fourth, from certain Excess Unrestricted Revenue of the other State Revolving Fund Program; and
- (e) Fifth, from the State Administration Account of the Administration Fund.

Under no circumstances shall any amounts be transferred to the State Match Bond Account from the Leveraged Loan Account, the State Match Loan Account or the Federally Capitalized Loan Account of the Loan Fund, the Restricted Revenue Account of the Revenue Fund, the Leveraged Bond Account of the Bond Fund, the Restricted Reserve Account of the Reserve Fund or the SRF Administration Account of the Administration Fund.

Reserve Fund. The Reserve Fund for each State Revolving Fund consists of a Restricted Reserve Account, an Unrestricted Reserve Account and a Special Reserve Account. The funds available through the EPA-ACH are a part of the Restricted Reserve Account, but shall not be taken into account in determining compliance with the statutory minimum portion of the Total Reserve Requirement. Bond proceeds may be deposited in the Restricted Reserve Account and the Special Reserve Account as provided in a Series Resolution. Monies deposited in the Reserve Fund, other than Bond proceeds, proceeds of a draw on the EPA-ACH and other monies required to be deposited in the Restricted Reserve Account or the Special Reserve Account under the Master Trust Indenture or a Series Resolution, shall be deposited in the Unrestricted Reserve Account. Monies on deposit in the Reserve Fund shall be used to make up any deficiencies in the Bond Fund; provided, that under no circumstances shall the Trustee transfer any amounts on deposit in the Restricted Reserve Account of the Reserve Fund to the State Match Bond Account of the Bond Fund.

When amounts in the Reserve Fund exceed the Total Reserve Requirement, amounts in the Restricted Reserve Account may, to the extent of such excess, be transferred at the direction of the Bond Bank to the Federally Capitalized Loan Account of the Loan Fund, but not to any other Fund or Account. When the sum of the amounts on deposit in the Unrestricted Reserve Account and the Special Reserve Account exceeds the State Match Reserve Requirement, amounts in the Special Reserve Account may be transferred at the direction of the Bond Bank to the State Match Loan Account of the Loan Fund and amounts in the Unrestricted Reserve Account may be transferred at the direction of the Bond Bank to any fund or Account other than the Special Reserve Account of the Reserve Fund and the State Administration Account of the Administration Fund; provided, that the aggregate amount of such transfers shall be limited to the excess over the State Match Reserve Requirement and shall be made only if and to the extent that the Total Reserve Requirement is satisfied both before and after such transfers.

In the event either (a) the sum of the amounts on deposit in the Restricted Reserve Account, the Unrestricted Reserve Account and the Special Reserve Account is at any time less than the Total Reserve Requirement, or (b) the sum of the amounts on deposit in the Unrestricted Reserve Account and the Special Reserve Account is at any time less than the State Match Reserve Requirement, the Executive Director shall forthwith give written notice to the Chairman and each member of the Industrial Commission, and the Industrial Commission shall forthwith transfer other funds to the Unrestricted Reserve Account of the Reserve Fund as permitted under the Bond Bank Act or shall certify to the Legislative Assembly of the State of North Dakota the sum required to be appropriated for deposit in the Unrestricted Reserve Account in order to restore the Reserve Fund to the Total Reserve Requirement and the State Match Reserve Requirement. There is no requirement that the Legislative Assembly appropriate funds to restore the Reserve Fund. See "Source of Payment and Security" herein.

Investment of Funds. Monies on deposit to the credit of the Funds and Accounts under the Master Trust Indenture shall be invested by the Trustee at the direction of the Bond Bank in Investment Obligations (as defined below) permitted under the Master Trust Indenture and the Bond Bank Act; however, no Investment Obligation shall have a maturity date beyond the date upon which the monies in the respective Fund or Account are required or are likely to be needed for the purposes of the respective Fund or Account to which such Investment Obligation is credited. Investment Obligations so purchased shall be deemed at all times to be a part of the respective Fund or Account, but may from time to time be sold or otherwise converted into cash, whereupon the proceeds derived from such sale or conversion shall be credited to such Fund or Account. The Bond Bank may direct that all interest earnings on the Funds and Accounts be deposited in the Unrestricted Revenue Account of the Revenue Fund. Otherwise, any interest accruing or any profit realized from such investment shall be credited to the specific Fund or Account. Investment Obligations as defined in the Master Trust Indenture includes any of the following, if and to the extent the same are at the time not prohibited for investment of the Bond Bank's monies: (a) direct obligations of, or obligations the prompt payment of principal and interest on which are fully guaranteed by the United States of America; or (b) bonds, debentures, notes or other evidences of indebtedness fully insured or guaranteed by any agency or instrumentality of the United States of America which is backed by the full faith and credit of the United States of America; or (c) interest-bearing time or demand deposits, certificates of deposit or similar banking arrangements with any Depository including the Trustee, provided that such deposits, certificates and other arrangements, if other than with the Bank of North Dakota, are fully insured by the Federal Deposit Insurance Corporation or secured by obligations described in clauses (a) or (b), inclusive or a combination thereof; or (d) money market funds or similar funds which invest exclusively in obligations described in clauses (a), (b), (e) or (f) or a combination thereof; (e) bonds, debentures, notes other evidences of indebtedness issued by any state of the United States of America or any political subdivision thereof or any public authority or body or instrumentality therein which constitute obligations described in Section 103(a) of the Code and which are rated by Moody's Investors Service, Inc. either P-1 for short-term obligations or the greater of A or the then current rating assigned by Moody's Investors Service, Inc. to the Bonds without regard to credit enhancement for long-term obligations; or (f) any repurchase agreement or similar financial transaction with a national banking association organized under the laws of any state, or with a government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York; or (g) guaranteed investment contracts issued, secured or guaranteed by a corporation or national banking association which has a long-term debt rating by Moody's Investors Service, Inc. of the greater of A or the then current rating assigned by Moody's Investors Service, Inc. to the Bonds without regard to credit enhancement; or (h) commercial paper issued by United States corporations or their Canadian subsidiaries which matures in 270 days or less and which has a short-term debt rating by Moody's Investors Service, Inc. of P-1 or better.

Additional Bonds

The Bond Bank anticipates the issuance of Additional Bonds under the Master Trust Indenture. The Master Trust Indenture permits the issuance of Additional Bonds secured on a parity with Bonds previously issued or to be issued in the future pursuant to the Master Trust Indenture, in order to purchase Municipal Securities authorized for purchase under the Bond Bank Act and the Master Trust Indenture, upon compliance with the requirements of the Master Trust Indenture, including deposit of a sufficient amount in the Reserve Fund to satisfy the Total Reserve Requirement and the State Match Reserve Requirement with respect to the Bonds to be issued and all other Bonds outstanding under the Master Trust Indenture.

Pursuant to the provisions of the Master Trust Indenture, Additional Bonds may be issued on a parity with the Bonds if certain conditions are met including, but not limited to, except in the case of refunding bonds issued to pay principal or interest on Bonds for the payment of which sufficient funds are not expected to be available, the following: (i) a Coverage Certificate with supporting schedules, estimating that, as of each Bond Payment Date, Projected Revenue (as defined below) available to be deposited in both the Leveraged

Bond Account and the State Match Bond Account of the Bond Fund will be sufficient to pay respectively the State Match Portion and the Leveraged Portion of principal of and interest due on each Bond Payment Date on all Bonds then Outstanding (except Bonds and interest thereon refunded from the proceeds of the Bonds to be issued) and the Bonds to be issued; and (ii) a Coverage Certificate with supporting schedules, estimating that, during each year that the Bonds to be issued are scheduled to be Outstanding, Projected Revenue will be at least 120% of the principal and interest due in such year on all the Outstanding and to be issued Bonds. Projected Revenue as of the date of a Coverage Certificate means (i) the scheduled principal and interest payments on all Municipal Securities held by the Trustee or required to be delivered to the Trustee pursuant to a Loan Agreement, except payments of principal of and interest on Municipal Securities which (A) are then in Default in the payment of principal or interest or (B) failed to meet the Credit Standards in effect at the time the Municipal Securities were acquired and, if a revenue obligation payable from net revenues of a utility, also failed to meet the coverage requirement of the applicable Credit Standards during both of the last two complete fiscal years, and (ii) the principal and interest which the Executive Director estimates will be received on investments of all other amounts then held or expected to be deposited in any Fund or Account under the Master Trust Indenture, including amounts which are reasonably expected to be drawn under the EPA-ACH.

Default and Remedies

The following are Events of Default under the Master Trust Indenture:

- (a) Failure of the Bond Bank to pay principal or the redemption price of any Bond when due;
- (b) Failure of the Bond Bank to pay interest on any Bond when due;
- (c) The amount on deposit in the Reserve Fund shall be less than the Total Reserve Requirement or the sum of the amounts on deposit in the Unrestricted Reserve Account and the Special Reserve Account shall be less than the State Match Reserve Requirement, for a period of six consecutive months;
- (d) Failure of the Bond Bank to cure any other default under the Master Trust Indenture or any Series Resolution or under the Bonds within thirty days after notice thereof by the Holders of at least 10% of the outstanding Bonds; or
- (e) Filing by the Bond Bank of a petition seeking a composition of indebtedness under the federal bankruptcy law or other applicable federal or state law.

Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon the written request of the Holders of not less than 25% in the aggregate of the principal amount of the Bonds Outstanding, together with indemnification of the Trustee to its satisfaction therefor, the Trustee shall proceed forthwith to protect and enforce its rights and the rights of the Bondholders under the Bond Bank Act, the Bonds and the Master Trust Indenture by such suits, action or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

- (i) Enforcement of the right of the Bondholders to require the Bond Bank to collect and enforce the payment of principal of and interest due or becoming due on the Municipal Securities and to collect and enforce any rights in respect to the Municipal Securities as may be set forth in any resolutions therefor or the Loan Agreements, and to require the Bond Bank to carry out its duties, obligations and agreements under the terms of the Master Trust Indenture and any Series Resolution authorizing the issuance of Bonds of any Series then outstanding, and to require the Bond Bank to perform its duties under the Bond Bank Act;
- (ii) Suit upon all or any part of the Bonds;

- (iii) Civil action to require the Bond Bank to account as if it were the trustee of an express trust for the Holders of the Bonds;
- (iv) Civil action to enjoin any acts or things that may be unlawful or in violation of the rights of the Holders of the Bonds; and
- (v) Enforcement of any other right of the Bondholders conferred by law or by this Indenture.

Regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in the aggregate of the principal amount of the Bonds then Outstanding, shall, upon being indemnified to its satisfaction therefor institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the Master Trust Indenture by any acts that may be unlawful or in violation of the Master Trust Indenture, or (ii) to preserve or protect the interests of the Bondholders, provided that such request is in accordance with the law and the provisions of the Master Trust Indenture and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds not making such request.

Actions taken by the Trustee are subject to the rights of the Holders of a majority in principal amount of the Outstanding Bonds to direct the method and place of conducting all proceedings under the Master Trust Indenture or to waive any Default (other than Default in the payment of the principal of any Bond at the date of maturity), upon compliance with the terms and conditions of the Master Trust Indenture.

No Holder of any Bond shall have the right to institute any suit, action or proceeding for the enforcement of the Master Trust Indenture unless a default has occurred of which the Trustee has been notified or of which it is deemed to have notice, and unless such default shall become an Event of Default, and the holders of 25% in aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee, shall have offered the Trustee reasonable opportunity to proceed in its own name and shall have offered indemnity as required in the Master Trust Indenture to the Trustee. Any Bondholder has the right to enforce and bring suit for the payment of unpaid principal of and interest on any Bond at or after maturity thereof.

Amendments

The Master Trust Indenture is subject to amendment without the consent of the Holders of any Bonds in the following circumstances:

- (a) To correct the description of any property pledged or additional property pledged as security;
- (b) To add to other covenants and agreements;
- (c) To evidence the successors to the Bond Bank;
- (d) To cure any ambiguity or to make such other provisions in regard to matters or questions arising under the Master Trust Indenture or any supplemental indenture as the Bond Bank may deem necessary or desirable and which shall not be inconsistent with the provisions of the Master Indenture;
- (e) To modify, eliminate and/or add to the provisions of the Master Trust Indenture to such extent as shall be necessary to effect the qualification of the Master Indenture under the Trust Indenture Act of 1939, as then amended, or under any similar Federal statute hereafter enacted, and to add to the Master Indenture such other provisions as may be expressly permitted by said Trust Indenture Act of 1939, excluding, however, the provisions referred to in Section 316(a)(2) of said Trust Indenture Act of 1939;

- (f) To provide for the enforcement, modification, sale or other disposition of any Municipal Securities held or to be acquired by the Bond Bank or any investments of monies of the Bond Bank which the Industrial Commission expressly finds is necessary or desirable in the best interests of the Holders of the Bonds;
- (g) To provide for the issuance of Additional Bonds of the Bond Bank by adoption of Series Resolutions;
- (h) To provide new or additional accounting requirements or provisions for operation of the Bond Bank;
- (i) To comply with any provision of the Internal Revenue Code or regulations thereunder;
- (j) To amend the terms of the Master Trust Indenture in a manner applicable only to Bond Series issued subsequent to such amendment and not affecting Bonds previously issued and Outstanding; and
- (k) To make such other modifications or amendments which are determined by the Trustee not to be prejudicial to the rights of the Trustee or the Holders of the Bonds.

Other amendments generally require the consent of the Holders of 66 2/3% of the Outstanding Bonds.

Covenants and Miscellaneous

The Bond Bank covenants and agrees, so long as the Bonds of any Series shall be Outstanding, and subject to the limitations on its obligations established in the Master Trust Indenture, to the following requirements:

Payment of Bonds. The Bond Bank will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Master Trust Indenture and each Series Resolution and in each and every Bond executed, authenticated and delivered; will deposit in the Reserve Funds from amounts available and appropriated therefor amounts sufficient to maintain the Total Reserve Requirement and the State Match Reserve Requirement; and will pay or cause to be paid, but solely from the sources specified in the Master Trust Indenture and any Series Resolution, the principal of and interest on every Bond issued on the dates, at the places and in the manner prescribed in the Bonds.

Authority of the Bond Bank. The Bond Bank is duly authorized under the constitution and laws of the State to execute and deliver the Master Trust Indenture and to make the covenants as provided therein. The Bonds in the hands of the Holders are and will be valid and enforceable obligations of the Bond Bank in accordance with their terms.

Books and Records; Audit Report. The Bond Bank shall keep or cause to be kept books of accounts and records in which full, true and correct entries will be made of all dealings and transactions relating to the operation of the State Revolving Fund Programs. A copy of the annual audit report, which the Bond Bank is required to provide for each calendar year by the following April 1, will be mailed to any Bondholder who makes a written request with the Trustee.

Compliance with Clean Water Act and Drinking Water Act. The Bond Bank will not cause or permit any funds received under the EPA-ACH or held in any Fund or Account established under the Master Trust Indenture to be applied in a manner which is in violation of any provision of the Clean Water Act or Drinking Water Act.

APPENDIX D

Form of Bond Counsel Opinion

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State Revolving Fund Program Bonds, Series 2004A North Dakota Municipal Bond Bank

We have acted as bond counsel in connection with the issuance by the North Dakota Municipal Bond Bank of its State Revolving Fund Program Bonds, Series 2004A (the “Bonds”) in the aggregate principal amount of \$_____, dated the date hereof.

The Bonds are being issued pursuant to a Master Trust Indenture dated as of October 1, 1998, as amended, between the Bond Bank and the Bank of North Dakota (the “Master Trust Indenture”) and a Series Resolution approved by the Industrial Commission of North Dakota on August 24, 2004 (the “Series Resolution”), to refund certain outstanding obligations of the Bond Bank as described in the Series Resolution.

We have examined such certified proceedings, documents and certifications of public officials as we deem necessary to render this opinion, including the form of the Bonds. As to questions of fact material to our opinion we have relied upon certified proceedings, documents and certifications furnished to us without undertaking to verify such facts by independent investigation.

We have not been engaged or undertaken as bond counsel to verify the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement), and we express no opinion relating thereto (excepting only matters set forth as our opinion in the Official Statement).

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds are valid and binding obligations of the Bond Bank issued under the authority of Chapter 6-09.4, North Dakota Century Code.

2. The Bonds, together with all obligations heretofore or hereafter issued on a parity therewith by the Bond Bank under the Master Trust Indenture, are payable primarily from and secured by a first lien on and pledge of the Municipal Securities evidencing loans made under the Master Trust Indenture and revenues therefrom and the moneys on deposit in certain funds and accounts established under the Master Trust Indenture.

3. The Bond Bank is authorized, and under the Master Trust Indenture has covenanted and is obligated, to certify to the Legislative Assembly of the State the amount, if any, required to restore the Reserve Funds to the amount of the required debt service reserve established under the Master Trust Indenture.

4. Chapter 6-09.4, North Dakota Century Code, does not bind or obligate the Legislative Assembly to appropriate and pay to the Bond Bank in any future year the amount so certified as necessary to restore the Reserve Funds to the required debt service reserve, the language of such Chapter being permissive only, but there is no applicable constitutional provision which would prohibit a Legislative Assembly of the State from making such appropriations for such purposes if it elects to do so.

5. The Bonds do not create an indebtedness on the part of the State of North Dakota in violation of any constitutional or statutory provision.

6. Assuming compliance with the covenants in the Master Trust Indenture and Series Resolution, the interest on the Bonds is exempt from inclusion in gross income for purposes of federal income taxation under present laws and rulings. Interest on the Bonds is not an item of tax preference required to be included in the computation of "alternative minimum taxable income" for purposes of the federal alternative minimum tax applicable to individuals and other taxpayers under Section 55 of the Internal Revenue Code of 1986, as amended (the "Code"), but is includable in "adjusted current earnings" for the purpose of determining the "alternative minimum taxable income" of corporations under Section 55 of the Code. In addition, interest on the Bonds may be included in the income of the recipient for certain purposes under the Code, including, among others, foreign corporations subject to the branch profits tax, S corporations and recipients of social security benefits. Also, the receipt of interest on the Bonds may affect certain deductions such as deductions for "losses incurred" by property and casualty insurance companies. The Bonds are not designated as "qualified tax-exempt obligations" under Section 265(b) of the Code and financial institutions may not deduct any portion of their interest expense which is allocable to interest on the Bonds. The Bonds are exempt from income taxation by the State of North Dakota.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of law.

Dated at Minneapolis, Minnesota, October __, 2004.